

Australian Livestock Export Corporation Ltd (LiveCorp) submission

**Senate Inquiry into industry structures
and systems governing the imposition of
and disbursement of marketing and
research and development (R&D) levies
in the agricultural sector**



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INTRODUCTION

The livestock export industry is an important component of the Australian agricultural sector and contributes an average of \$1 billion in export earnings annually to the Australian economy. The industry provides an important marketing channel for Australian livestock producers, underpinning farm gate prices, contributing to economic diversity and activity, and provides employment in rural and regional Australia. The industry faces a range of challenges including global competitive pressures from other livestock exporting countries; a highly regulated environment (and associated costs); maintenance and opening of markets; and a wider campaign by animal welfare groups to close the trade.

The Australian Livestock Export Corporation (LiveCorp) is focused on enhancing the productivity, sustainability and competitiveness of the livestock export industry by undertaking research, development and extension (RD&E), providing technical services and support, and monitoring and reporting on programs and issues. In recognition of the benefit of livestock exports to businesses throughout the entire supply chain, including producers, much of LiveCorp's investment occurs in partnership with Meat and Livestock Australia (MLA), through the joint Live stock Export Program (LEP).

The livestock export industry has a long history of RD&E and collective investment that precedes the existence of LiveCorp. Government inquiries as far back as the early 1980s have encouraged greater investment in developing the industry and better understanding the risk factors for animal health and welfare. The sustained effort that has followed has seen continuous improvement in the industry's performance. For much of this time the industry's efforts were made possible through the imposition of levies, albeit under different industry structures and governance arrangements.

The red meat industry reforms in the late 1990s were an opportunity for livestock exporters to establish institutional arrangements that could sustain their collective effort to improve the future of the industry. As part of these reforms LiveCorp was established as an industry-owned service company, with clear roles, responsibilities and accountabilities to livestock exporters.

A compulsory levy on livestock exports to fund LiveCorp's activities was introduced in 2005, at which time the company formally became a marketing and R&D organisation under the *Australian Meat and Livestock Industry Act 1997* (AMLI Act). With this legislative status came additional governance and reporting requirements detailed through a Statutory Funding Agreement (SFA) with the Australian Government. Prior to this, LiveCorp operated solely on voluntary contributions.

The introduction of a compulsory levy to fund livestock export RD&E and other activities was a key recommendation of the Keniry inquiry initiated by the Australian Government following the Corno Express incident in 2003. However, the introduction of the compulsory levy also brought live exporters in line with most parts of the red meat industry and was supported by a vote by livestock exporters at the time.

Livestock exporters understand the importance of collective investment for improving industry-wide performance, establishing plans to respond to industry challenges and demonstrating its willingness and capability to meet the expectations of government and the community, particularly with respect

to animal welfare. The industry is acutely aware of the need to stay ahead of broader public opinion for the collective and individual benefit of all exporters. These kinds of challenges can only be addressed when the industry comes together with a common purpose and shared motivation.

The structural arrangements for LiveCorp within the red meat industry continue to be effective and the partnership with MLA has been extremely successful. The LEP remains a fundamental example of the benefits achieved by strong collaboration by Research Development Corporations (RDCs) across key supply chain participants (producers and exporters).

While collaboration is an important tool in the delivery of its programs, livestock exporters strongly support LiveCorp as a standalone entity, as it ensures that the interests of processors and producers do not overshadow livestock export priorities. At the same time, the partnership with MLA allows LiveCorp to combine funds with those from producers and government. This enables a small organisation like LiveCorp and in turn the livestock export industry, to benefit from the scale and global outreach of MLA.

Industry supports the work of LiveCorp and recognises the levy is fundamental to LiveCorp's success and survival. LiveCorp's close connection with exporters and their representative body is supported through its direct membership model (with licensed livestock exporters able to be members of the company), obligations to the Australian Livestock Exporters Council (ALEC) – including under the Red Meat Industry memorandum of understanding (MOU), and engagement through many formal and informal consultation, planning and reporting mechanisms. This allows levy payers to drive LiveCorp's priority setting and encourages their involvement in activities contributing to the future of the industry. The effectiveness of LiveCorp's services, RD&E program, and interaction with the marketplace would not work without the strong relationship LiveCorp has with livestock exporters.

The setting of LiveCorp's priorities is largely delivered through its strategic and annual operating planning processes, which align with the Red Meat Advisory Council (RMAC) and ALEC strategic plans. These processes lead to a robust and transparent investment framework that reflects industry needs and priorities. Levy payers and the government are actively engaged in the setting of priorities and monitoring and reviewing outcomes to ensure they are making a difference for industry and the broader community.

LiveCorp also recognises the importance of having a membership that includes a significant proportion of active levy payers. As livestock exporters are relatively small in number, licensed by the government and their activity is reported biannually to Parliament, LiveCorp can easily identify levy payers (i.e. active exporters). At present, of the 38 active exporters, approximately 35 – who are estimated to account for over 95 per cent of exports – are members of LiveCorp.

To ensure the industry levy is directed towards activities that make a difference, LiveCorp is focused on a small number of strategic priorities and on achieving efficiencies in the use of levy funds. The partnership with MLA to deliver the LEP is widely recognised as the most efficient mechanism for delivering RD&E and in-market technical support. LiveCorp has also made huge improvements in reducing its own corporate and administrative costs in order to maximise the funds available for programs and services to the industry. LiveCorp makes regular evaluations of the impact of projects

a core business process across its operations and joint projects with MLA. The outcomes of these evaluations inform future planning and ensure objectives are being met.

LiveCorp does not engage in agri-political activities and responsibility for policy and advocacy clearly sits with ALEC. This demarcation is not only necessary, it helps to reinforce that LiveCorp's operations are focused on service delivery within the arrangements put in place by the industry. This demarcation also allows LiveCorp to focus on service delivery. LiveCorp also has no regulatory powers in relation to the export of livestock, performance of exporters or animal welfare outcomes.

LiveCorp recognises the importance of good governance and maintains a strong culture of performance measurement and management, cost saving and efficiency, transparency, hard work and dedication. LiveCorp's skills-based board also ensures that a broad perspective is adopted and that decision-making and governance practices are robust. These core values and robust governance systems are critical in maintaining strong industry support, being responsible custodians of the industry funds, and delivering improved performance and industry outcomes.

LiveCorp recognises that the matching contributions by government through the LEP are not a right and that LiveCorp needs to be able to demonstrate efficient and effective use of levy funds and matching public funds (in the case of RD&E investments made through the LEP with MLA). The SFA and Rural Research Priorities provide the government with several mechanisms to ensure good governance, accountability and performance. These documents are also important in balancing the need for control over expenditure with the need for industry to set priorities and establish a commercial focus. This is an important factor for a small industry-owned company with set funds where there is a constant tension between compliance costs and meeting the governance and reporting requirements of government. To support an appropriate balance, LiveCorp continues to work with the Department of Agriculture to ensure the government receives the information it needs, but that unnecessary additions to the reporting LiveCorp is separately obligated to do under corporations law are minimised.

The support for the compulsory levy is very much linked to the ability to receive matching RD&E contributions from the government through the LEP. This RD&E program remains the cornerstone of the continuous improvement across the industry, and consequently animal health and welfare attracted approximately 70 – 75 per cent of the budget in the last financial year (in line with previous years).

Much of this research is in relation to the demands for improvements in animal health and welfare, productivity and competitiveness across the industry, which is essential to the industry continuing to grow and develop. Livestock exporters understand the importance of RD&E and other collective actions to improve industry wide performance and address broader community concerns about animal welfare.

The investments made by LiveCorp on behalf of the industry complement the significant investments individual livestock exporters continue to make. However, it is not likely that the industry would be able to undertake the kinds of collective actions that are currently undertaken in the absence of a levy system, and in the absence of a company established to focus on the livestock export trade. It

would be particularly difficult for the industry to invest in the kinds of activities needed to deliver high social returns, and generate such meaningful animal welfare improvement across the globe.

Without the collective effort of industry, individual exporters would not maintain the same level of investment in RD&E and would be more focussed on short-term activities that address immediate business pressures. It would also preclude investment in long-term scientific projects or developments to address persistent and complex issues – for example, the LEP project to develop a salmonella vaccine. In any case these efforts would be highly duplicative, resulting in inefficient allocation of resources which would drive down value within the supply chain – and farm gate returns.

The importance of LiveCorp's work on behalf of industry has been reinforced through the many government reviews and inquiries into the livestock export industry over the past decade and beyond. These reviews and inquiries have continued to raise the challenges the industry needs to address to ensure its sustainability. LiveCorp provides the vehicle through which industry can address these issues and bring forward solutions more quickly and efficiently than if exporters were responding individually. Likewise, in the absence of other arrangements, the government is reliant on the vital link LiveCorp provides with the livestock export industry and its ability to access technical knowledge and other mechanisms to support change.

Over the recent past, LiveCorp has provided essential support to both government and industry across a variety of areas, including the design and implementation of the new Exporter Supply Chain Assurance System (ESCAS), resolution of in-market trade issues, expert analysis to support reductions in the regulatory burdens on the industry, and technical and in-market support towards the negotiation of protocols to maintain or open markets.

In conclusion, the Senate can have great confidence that LiveCorp – as custodian of the livestock export levy and a stakeholder in the future of the industry – is delivering benefits and providing robust governance and transparency. A high level of benefit, both economic and social, is delivered to levy payers, livestock producers, other stakeholders in the supply chain, the government and the wider community. Success can be measured through the strong support from the livestock export industry for LiveCorp and the livestock export levy – for example, stakeholders surveyed during the recent independent performance review rated LiveCorp's programs and services between good and excellent.

While it is inevitable the arrangements will evolve and adapt to changing industry needs, a defining factor is the preservation of separate governance arrangements for levies paid by each sector of the red meat industry. It would be a mistake to consider unravelling these arrangements because of concerns in other industries about the utility of levies or the suitability of levies to those industries' structural arrangements.

BACKGROUND

The Senate has moved that there be an Inquiry into the industry structures and systems governing the imposition and disbursement of marketing and research and development (R&D) levies in the agricultural sector. LiveCorp thanks the Rural and Regional Affairs and Transport References Committee for the opportunity to make a submission.

This submission makes some general comments on LiveCorp's role as the levy-funded service company for the livestock export sector and LiveCorp's perspective on the governance for the industry's levy arrangements. It then provides specific comments against the individual terms of reference for the inquiry as they pertain to the livestock export industry. This submission is best read together with the submission of the Council of Rural Research and Development Corporations (CRRDC), which provides an analysis of the levy system more broadly.

LiveCorp supports livestock exporters as the industry's service provider

LiveCorp is a not-for-profit industry body owned and funded through contributions by livestock exporters. LiveCorp's revenue comes primarily from a compulsory levy on cattle (except dairy cattle), sheep and goats exported. The government provides the legal framework for the collection of the compulsory levy. Exporters have also agreed to make voluntary contributions for dairy cattle exports.

The current compulsory levy rates are:

- Beef cattle - \$0.009523 per kg (\$0.007936 for marketing and \$0.001587 for R&D).
 - This equates to approximately \$3 per head for a standard 315kilogram animal
- Sheep - 60 cents per head (50 cents for marketing and 10 cents for R&D)
- Goats - 50 cents per head (40 cents for marketing and 10 cents for R&D)

The voluntary contribution is:

- Dairy cattle - \$6 per head

In the financial year 2013-14, LiveCorp collected just over \$3.5 million for marketing and \$800,000 for RD&E from the compulsory levy and approximately \$150,000 from the voluntary dairy cattle contributions.

All licensed Australian livestock exporters are eligible to become members of LiveCorp and it currently has 51 full members. Associate membership, that does not have voting rights attached, is also available to other industry participants who can benefit from LiveCorp's services. ALEC and its state chapters are industry members of LiveCorp.

LiveCorp provides RD&E, marketing, training and communications services to the Australian livestock export industry, working closely with stakeholders to continuously improve performance in animal health and welfare, supply chain efficiency and market access. As a highly regulated industry, improving industry operations has increasingly meant providing technical input to government under difficult timeframes on the design and improvement to conditions on exports, especially most recently ESCAS. In addition, LiveCorp is also responsible for the training of onboard stock people

who care for livestock exported by sea through its Stockperson Training Program. The skills of people across the entire supply chain are broadened through education and training programs to ensure the industry's long-term sustainability, efficiency and competitiveness.

LiveCorp's company constitution sets out the objects of the company and establishes the framework for making investments in program activities, including RD&E. The priorities for this work are set out in LiveCorp's strategic and annual operating plans.

LiveCorp Constitution

The objects of LiveCorp under its Constitution are:

- To act as an industry Services Body as declared by the Minister including by providing R&D and marketing services for the benefit of members and the general community;
- To promote:
 - the humane handling and management of livestock throughout the export supply chain;
 - the export of Australian livestock to overseas countries; and
 - trade access in the interest of licensed livestock exporters
- To provide goods and/or services to, or for the benefit of, licensed livestock exporters;
- To facilitate continuous improvement in animal wellbeing having regard to the Australian Standard for the Export of Livestock and to otherwise recognise and promote compliance with the Australian Standard and other relevant Australian standards and codes;
- To provide R&D and technical support for licensed livestock exporters;
- To protect and further the interests of the Australian livestock export industry in any lawful manner; and
- To consult with the Australian livestock export industry in relation to the Company's activities.

(A) REPORTS, INQUIRIES AND REVIEWS RELEVANT TO THIS INQUIRY

The livestock export industry is an important industry, especially to regional Australia

The livestock export industry is an important component of the Australian agricultural sector, contributing an average of \$1 billion in export earnings annually to the Australian economy and employing around 13,000 people in regional Australia. [Attachment A](#) provides further background on the industry.

The industry faces risks in relation to the regulatory environment, as witnessed by the suspension of trade to Indonesia in 2011 and the wider campaign by animal welfare groups to see the trade closed. A number of studies have analysed the positive effect of live exports on domestic livestock prices and the profitability of livestock producers. These studies reached the common conclusion that interruptions to the live export trade would result in a redirection of livestock toward the domestic market, placing downward pressure on saleyard prices. The potential for the domestic market to absorb the increased supply without a decline in price is limited, resulting in lower farm gate prices and increased transport costs for many producers.

Recent studies to support these findings include:

- Deards B, Leith R, Mifsud C, Murray C, Martin P & Gleeson T 2014, *Live export trade assessment*, ABARES report to client prepared for the Live Animal Exports Reform taskforce of the Department of Agriculture, Canberra, July.
 - This report is the most recent compendium of data and analysis on the value of the livestock export trade.
- Centre for International Economics. *Contribution of live exports to the Australian wool industry*, prepared for Australian Wool Innovation, Canberra, March 2014.
- Centre for International Economics. *The contribution of the Australian live export industry*, prepared for LiveCorp and Meat & Livestock Australia, Centre for International Economics, Sydney, March 2011.
- Clarke, M, Morison, J, Yates, W 2007, *The live export industry—assessing the value of the livestock export industry to regional Australia*, AgEconPlus and Warwick Yates and Associates for Meat & Livestock Australia, Sydney.
- Hassall and Associates 2006, *The live export industry: value, outlook and contribution to the economy*, prepared for Meat & Livestock Australia, Hassall and Associates, Sydney.
- Nixon, B, Whitehead, M 2013, *Indonesian Beef Self-Sufficiency and Implications for the Australian Beef Industry*, ANZ Agribusiness Research, September 2013.

The livestock export industry receives a high degree of public attention

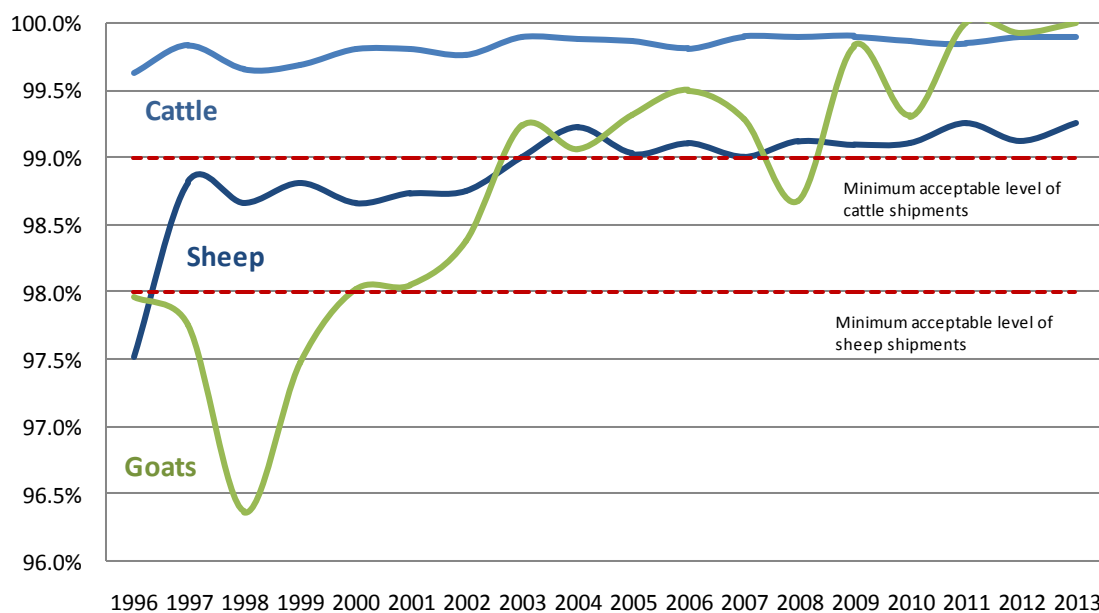
There have been a number of parliamentary and government inquiries and reviews into the live export trade. Most recently, following the May 2011 footage of extremely poor practices in some Indonesian abattoirs, the government commissioned Mr Bill Farmer AO to conduct an independent review into Australia's livestock export trade. The Australian Government's response to this review saw the introduction of ESCAS to all markets, radically changing the operating environment for livestock exporters and the priorities for LiveCorp.

Another significant review was held in 2003 following the MV Cormo Express incident, chaired by Dr John Keniry. The recommendations of the review encouraged greater effort from industry on research, development and quality assurance systems, and the further development of the Australian Standards for the Export of Livestock (ASEL). It also recommended that the compulsory levy be reintroduced (to replace the then voluntary contributions) to give LiveCorp more capacity to implement these changes.

There have also been a number of parliamentary inquiries into the livestock export trade, with the most recent being conducted in 2011 by the Senate Rural Affairs and Transport References Committee into the Animal Welfare Standards in Australia's Live Export Markets. These inquiries extend back – to the best of LiveCorp's knowledge – to the Senate Select Committee Animal Welfare Report on the Export of Live Sheep from Australia in 1985.

Throughout this history, the livestock export industry has been expected to continue to undertake a greater level of RD&E and other activities to better support exporters to address animal welfare concerns. As a result of the LiveCorp / LEP programs, the adoption of best practice standards and other industry improvements, the industry has seen significant gains in productivity and animal welfare through improved delivery rates (Figure 1).

Figure 1 - Shipboard livestock delivery rates (%) 1996 - 2013



1. Keniry, J, Bond, M, Caple, I, Gosse, L & Rogers, M 2003, Livestock export review: final report. A Report to the Minister for Agriculture, Fishery and Forestry, Canberra
2. Farmer AO, B 2011, *Independent review of Australia's livestock export trade*, Department of Agriculture, Forestry and Fisheries, Canberra.
3. The Senate Rural Affairs and Transport References Committee inquired into the Animal welfare standards in Australia's live export markets, 2011.
4. The Senate Select Committee in Animal Welfare report on Export of Live Sheep from Australia, 1985.

LiveCorp has been established as an industry owned R&D company

The backdrop to the establishment of LiveCorp is related to the red meat industry reforms of the late 1990s, which are described in greater detail in section H and the relevant documents below.

1. Australian Meat and Livestock Industry Reform Steering Committee and Task Force, Australian Meat and Livestock—Reform for the Future, October 1996.
2. Second reading speech, Australian Meat and Live-stock Industry Bill 1997, House Hansard, 1 October 1997, p. 8846.

As the nominated industry owned R&D company for livestock exporters, LiveCorp receives levies in accordance with a SFA agreed with the Australian Government. Under the SFA, LiveCorp must meet obligations relating to governance and reporting which includes the production of Annual Operating Plans (AOPs), Strategic Plans and Annual Reports. It also requires the completion of periodic performance reviews, the most recent of which was concluded in 2013. This review found LiveCorp fulfilled its obligations under the SFA.

1. LiveCorp / Australian Government Statutory Funding Agreement
2. LiveCorp Strategic Plans
3. LiveCorp Constitution
4. LiveCorp Annual Reports
5. AgEconPlus 2013, LiveCorp Performance Review 2010-2013

The broader framework and rationale for the RDC and levy arrangements have also been subject to review – principally the Productivity Commission's Inquiry into the Rural Research and Development Corporations in 2011, of which the Senate Committee will be well aware.

1. Productivity Commission 2011, Rural Research and Development Corporations, Report No.52, Final Inquiry Report, Canberra.

(B) BASIS UPON WHICH LEVIES ARE IMPOSED, COLLECTED AND USED

LiveCorp's mission is to enhance the livestock export industry's sustainability and competitiveness by providing support to Australia's livestock exporters through marketing and RD&E services along the livestock export supply chain. These activities and services help facilitate:

- Continuous improvement to livestock management, health and welfare throughout the supply chain;
- Market access and market development for Australia's livestock exporters; and
- Adoption of R&D to enhance the livestock export industry supply chain's capability and risk management profile.

Collective investment by the livestock export industry is essential for its future

LiveCorp's role has changed and grown since its establishment in 1998, both in response to changing industry circumstances and priorities and because of changes in the regulatory functions set by government. However, the common premise that has persisted is that there have continued to be a set of clear challenges facing the industry that require a collective and coordinated approach (specifically matters that are outside the capacity of individual exporters to address).

Against the backdrop of LiveCorp's establishment was the roll-out of the RDC model across agricultural industries more broadly, following their introduction in 1989. The rationale for the government facilitating the establishment of RDCs was based on the need to limit the potential for free-riders in the industry and in recognition of the spill-overs that may result in underinvestment. Government intervention through statutory levies overcomes these market failures by providing industry with a means of collectively investing in its future.

The potential for free-riding on LiveCorp's investments are real, but this perspective discounts the genuine shared interests the livestock exporters have to address the challenges faced by their industry. There is strong support for the levy as a means to allow the collective investment and LiveCorp is able to deliver programs and services to exporters where it would not be feasible or efficient for companies to invest individually.

Another key part of the business case for LiveCorp's establishment is its reinforcement of the live export industry's ownership and role in direction and priority setting over its own collective investments. LiveCorp's structure and approach has in turn supported a shift from RD&E being supply-driven by researchers and government to being driven by industry, which ensures services are commercially oriented and relevant. LiveCorp finds that its ability to engage with exporters promotes R&D uptake that may not otherwise occur and that being a distinct funding partner increases the incentives for exporters to engage in planning and adoption.

Through its partnership with MLA, LiveCorp makes a significant investment in RD&E. The outcomes of RD&E lift the performance of exporters and the health and welfare of livestock in the supply chain. This RD&E has wide application, which can be captured by all exporters, but also applies to activities stretching outside individual companies' value chains. Likewise, the improvements in animal health and welfare support a social licence for the whole industry.

Without the collective investment, there would be no capacity to address issues on an industry wide basis, such as:

- Determining market access priorities and providing technical support and advice to the government in the development of health protocols and strengthening and opening markets through in-market engagement;
- Investment in RD&E to address industry wide animal welfare challenges such as salmonella, inanition, heat stress and bovine respiratory disease, including long term knowledge building projects and projects that would not be feasible without a collective approach (for example, the development of a salmonella vaccine or a heat stress risk management tool).
- Developing systems / materials and delivering support across supply chain participants globally to increase the knowledge, awareness and skills in animal welfare and handling, providing a strong community benefit.
- Improving supply chain infrastructure through technical advice and RD&E on best practice.
- Identifying efficiencies and developing systems to improve industry and regulatory processes and developing industry structures to assist with compliance and regulatory performance.

LiveCorp provides an important coordination role for industry in its engagement with government. In the absence of LiveCorp, the Department of Agriculture (and government more broadly) would face greater expense of both building up its knowledge of the industry and its reach with exporters (who would also face greater regulatory affairs costs). LiveCorp provides efficiencies for both the industry and government in terms of having a central point of contact and the ability to house technical capability. The work of LiveCorp allows the government to draw on research and technical input to inform better regulatory and standards design, negotiate market access and to improve government-to-government relationships through less disrupted trade.

In the absence of LiveCorp, government may also feel obliged to provide greater support to industry in understanding and adjusting to changes to regulatory systems and compliance requirements (currently provided by LiveCorp). In-market services jointly funded by exporters through the LEP also provide a more efficient way for industry to manage the risks associated with the trade than if each exporter replicated this capacity themselves. Training of people overseas builds capacity that is necessary to meet the community's expectations. These investments provide benefits that flow across the whole industry.

While it is possible to deliver some of these outcomes in other ways, the concentrated and collaborative efforts of industry bring forward changes more quickly. This is particularly important where improvements to supply chain performance, for example, can lift productivity and welfare.

LiveCorp is also responsible for a number of training and accreditation programs throughout the livestock export supply chain that include on-board stockperson training and accreditation, stevedore training and scabby mouth vaccinator training and accreditation. These training programs aim to produce accredited stockpersons and vaccinators to the livestock export industry in accordance with the Australian Government regulations.

Most recently, LiveCorp has been able to support the industry with implementation of ESCAS. Consultation undertaken as part of the independent review of LiveCorp under the SFA with the

government highlighted that LiveCorp brought networks and knowledge to the development, rollout and refinement of ESCAS that was not available through the government or MLA.

Exporters' voluntary dairy contribution highlights the support for LiveCorp's work

LiveCorp receives a voluntary contribution from exporters of dairy cattle which is invested in agreed dairy cattle export related activities.

Since 2006, this voluntary levy has been \$3 per head, however livestock exporters voted at the 2014 ALEC AGM to increase it to \$6 per head.

The continuing support for the voluntary dairy export program and the recent decision of exporters to increase the voluntary contribution demonstrates the value industry sees in collectively addressing the RD&E and marketing needs of the dairy export sector. At present, the dairy program is particularly focused on meeting and refining the export certification and regulatory demands of importing countries, contributing to animal health systems (such as the National Arbovirus Monitoring Program) and developing welfare support materials.

At the 2014 ALEC AGM, livestock exporters agreed to conduct a poll to determine the level of support for the establishment of a compulsory dairy cattle export levy. This agreement is an indication of the:

- support exporters have for the current voluntary program;
- growing need to resource the program to address increasing demands related to growing volumes and markets for breeding cattle exports and the divergent challenges of breeding exports compared to feeder / slaughter exports; and
- need to resolve the inherent challenges of a voluntary system, such as free-riding and the inefficiencies and inability of individual exporters to address industry wide challenges or capture cross-industry opportunities.

LiveCorp's experience in maintaining a voluntary levy based program has provided some insights into the challenges it presents for the management of the program and the industry, including:

- The fluctuating and unreliable funding and cash flow, which limits effective budgeting and resource allocation;
- The limitations on long term corporate engagements, such as recruitment and contracting;
- The efficiency losses through monitoring, identifying and chasing payments;
- The inability to enter into long-term, strategic or higher cost projects;
- Managing the risks of over-servicing the program or the levy payers beyond the levy payments received;
- Managing the expectations from levy payers and stakeholders that exceed the capacity of the program; and
- Under a voluntary contribution arrangement, it is more difficult to get consistent payment across a group of levy payers for industry good functions, as potential levy payers often have expectations linked to the service or benefits received by their individual business.

These challenges have constrained LiveCorp from successfully integrating the dairy program into its routine operations or meeting the expectations of stakeholders and it is considered unlikely that the dairy program could be delivered without the existing systems / structures / staff operating for the compulsory levy system that.

(C) COMPETING PRESSURES FOR FINITE R&D FUNDS

Effective, industry driven planning and prioritisation is essential to LiveCorp's success

There are competing pressures for finite funds in the livestock export industry. To ensure the industry levy is directed to activities that make a difference, LiveCorp is focused on a small number of strategic priorities and on achieving efficiencies in the use of levy funds.

LiveCorp produces a strategic plan that is developed to align with RMISP and the ALEC Strategic Plan to increase opportunities for partnership with MLA through the LEP. The strategic plan, and AOPs are developed through consultation with ALEC, levy payers, and broader industry stakeholders (refer to Figure 5). LiveCorp also consults with government and ensures alignment with the National Research Priorities and the Rural R&D Priorities.

LiveCorp's planning leads to a robust and transparent investment framework and a balanced portfolio of activities. This ensures that only programs that will make a real difference for the industry and the broader community are taken forward. This demand driven approach not only prioritises programs, it also improves the adoption and impact throughout the supply chain.

LiveCorp's Strategic Priorities

Strategic Plan 2007-11	Strategic Plan 2011-14	Strategic Plan 2013-15
Market access and development	Ongoing improvement in animal welfare outcomes	Improving animal health and welfare outcomes – across the supply chain
Industry capability	Improve industry efficiencies, capabilities and livestock performance through the supply chain	Improve supply chain efficiencies and regulatory performance
Livestock management and welfare	Build government and community support for the industry and increase stakeholder awareness and satisfaction	Enhance market access conditions – for existing and new markets
Stakeholder communication and consultation	Improve market access conditions and build demand for Australian livestock	Enhance communication – providing information and services on program progress and issues to industry and government
	Deliver member and stakeholder confidence and value through strong governance, planning, evaluation and review	Improve corporate operations – governance, planning, evaluation and review to ensure efficient and effective investment

LiveCorp is flexible and able to adapt to changing industry circumstances

LiveCorp not only needs to prioritise where investment is most suitable given its set pool of funds, but also needs to be responsive to changes in the exporters' operating environment. As a small company with an identifiable membership, LiveCorp has inherent characteristics that enable it to effectively adapt to fluctuations and volatility, including direct reporting structures and approval pathways and a responsive and engaged membership.

The introduction of ESCAS was an example of a shock to the industry's operating environment and a significant change in the regulatory expectations placed on exporters. These changes required LiveCorp to liaise closely with exporters, ALEC and MLA to immediately reassess its priorities for delivering services.

As a result, LiveCorp identified immediate priorities which included the provision of support to exporters to understand and implement ESCAS, the identification and implementation of efficiencies within the newly regulated supply chains and support for market access to reduce the dependence on a small number of markets. Key projects delivered to implement these priorities included the development of Standard Operating Procedures and Work Instructions (which supported communication and implementation), introduction of a gap and risk analysis program (to support exporter / importer assessments of compliance) and the extension of training programs. The initial work supporting ESCAS implementation has now progressed into regulatory reform, with LiveCorp able to provide technical input to the government on opportunities to reduce costs and minimise the regulatory burden on industry. Subsequently, the industry and ALEC have asked for projects to be undertaken to scope and prepare a program to be presented to government for a potential transition to a global assurance model.

Volatile levy revenue makes prioritisation even more important

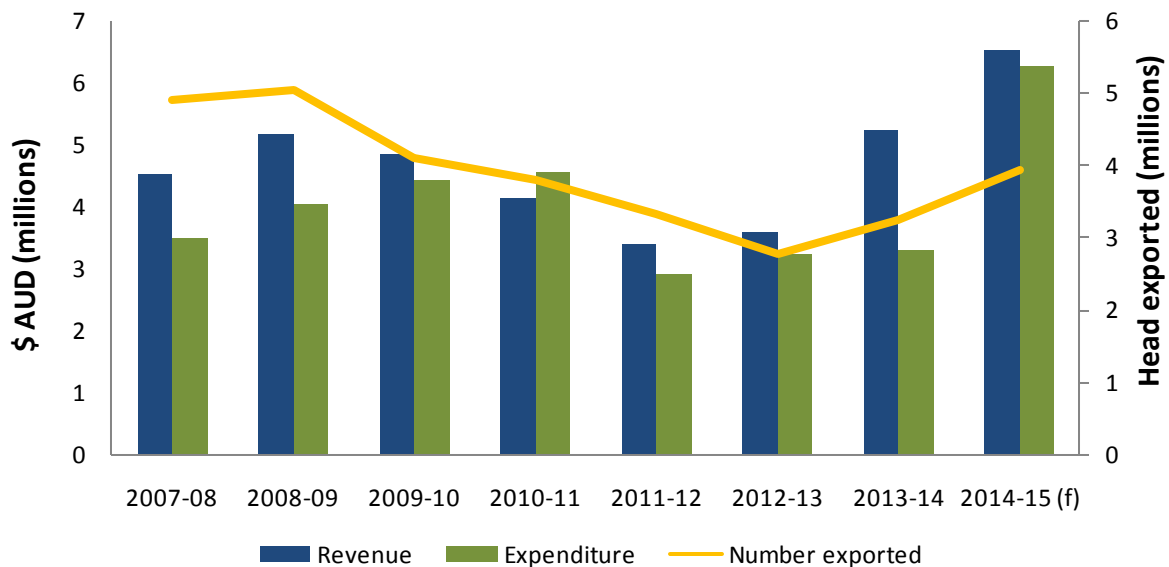
LiveCorp's revenue comes almost entirely from levies linked to industry export volumes. Export volumes can be volatile and are especially exacerbated by disruptions to the trade from the closure of markets (Figure 2). LiveCorp has needed to manage its program carefully to ensure core activities and services can be sustained over time, despite these fluctuations.

The ability to rapidly respond and effectively prioritise has also been vital in ensuring that exporters can continue to receive critical services during disruptions, when they are often most needed.

On the directive of exporters, LiveCorp in times of reduced levy revenue has focused on maintaining its funding contribution towards the collaborative programs with MLA as much as possible. This has particularly been the case for the RD&E program, where stability is critical and supported by the opportunity to access matching government funding. As a result, despite significant issues during the Indonesian trade disruption LiveCorp maintained its joint funding in the RD&E program. Since 2011, exporters have also prioritised the LEP programs providing in-market support for exporters / importers to implement ESCAS and LiveCorp has increased its investments as levy revenue has increased.

It is also noted that to help manage volatility, LiveCorp has a policy to maintain reserves equivalent to one full year of contracted programs and six month of operating expenses. These reserves support the delivery of key programs and services when revenue unexpectedly decreases.

Figure 2. LiveCorp revenue, expenditure and livestock exports



The LEP is an efficient way to deliver RD&E and in-market technical support

MLA and LiveCorp invest levies paid by Australian livestock producers and exporters respectively through the LEP. The joint program undertakes a variety of RD&E and market support activities designed to deliver best practice, improve the well-being and performance of Australian livestock and support the development of markets.

The LEP operates under four key strategic imperatives which align with the MLA and LiveCorp strategic plans:

- Ongoing improvement in animal welfare outcomes.
- Improve industry efficiencies, capabilities and livestock performance through the supply chain.
- Build government and community support for the industry and increase stakeholder awareness and satisfaction.
- Improve market access conditions and build demand for Australian livestock.

The integration of marketing and RD&E within the LEP partnership has also ensured that the RD&E is strongly market and customer focused. In fact, much of the RD&E that has led to improvements in livestock management and welfare along the supply chain has been initiated by information from LEP staff operating domestically and in key live export markets in the Middle East and North Africa, Indonesia and Asia (often as a result of direct 'on-the-ground' discussions with exporters).

The LEP allows for livestock exporters to obtain matching funding from the government for the levies raised for RD&E. As the dedicated marketing and research body under the AMLI Act, MLA undertakes RD&E not only for producers, but also meat processors and livestock exporters. To ensure that matching funds for RD&E are available for all three sectors, LiveCorp and the Australian Meat Processor Corporation (AMPC) are recognised as 'approved donors' to MLA. MLA's statutory funding agreement with the government facilitates the matching RD&E funding from government.

The remaining funds collected through the levy that are not invested in the LEP are used by LiveCorp to provide other programs and services including industry capability, industry services and innovation, communication and stock person training.

Partnership with MLA leverages finite resources for the benefit of both exporters and producers

The partnership with MLA through the LEP allows for livestock exporters' levy funds to be pooled with producers to scale up programs. This collaborative arrangement maximises the delivery of an integrated whole of supply chain approach, while at the same time limiting duplication of effort. Further detail on the importance of the collaboration with MLA, through the LEP, is provided at Section G.

(D) OPPORTUNITIES LEVY PAYERS HAVE FOR INFLUENCING THE INVESTMENT OF LEVIES

LiveCorp exists to manage livestock exporters' levies separately from those of producers and processors. Through this separation, livestock exporters' levies can be directed to those programs and services of direct relevance to their future, both through LiveCorp's activities and the collaborative efforts of the LEP.

Payers of the statutory livestock export levies have considerable ability to influence its investment. The main mechanisms through which this occurs includes:

- Company and Membership Structures;
- Strategic and Operational Planning;
- Operational Approval and Consultation Processes and Structures; and
- Annual General Meetings.

LiveCorp's company and membership structures support exporter involvement and feedback

LiveCorp is an industry owned company with a direct membership structure. All licensed livestock exporters are entitled to become members of the company and, if they are active levy payers, to vote at Annual and General Meetings and elections.

LiveCorp conducts periodic reviews of export statistics, encourages referrals and implements other initiatives to ensure that levy payers and export licence holders are aware of their entitlement to become a member. While LiveCorp undertakes this as a best practice initiative to encourage collective industry involvement, it is also consistent with its obligations under the SFA which states that:

- The RDC must use reasonable endeavours to ensure that:
 - Charge Payers who are not members of the RDC are advised of their entitlement to become, and how they may become, members of the RDC; and
 - Members of the RDC comprise a substantial proportion of all Charge Payers.

LiveCorp currently has 51 members, of which approximately 35 are active. These active exporters are estimated to account for greater than 95 per cent of levies paid.

The members of LiveCorp have rights under the company's Constitution based on their membership and contribution of levies. This includes the right to vote for an Ordinary Exporter Director (one vote per active exporter member) and a Special Exporter Director (one vote per \$100 of levy paid). Industry alignment is further supported by the presence of the ALEC Chair on the LiveCorp board as an ex officio director (see Figure 3 below).

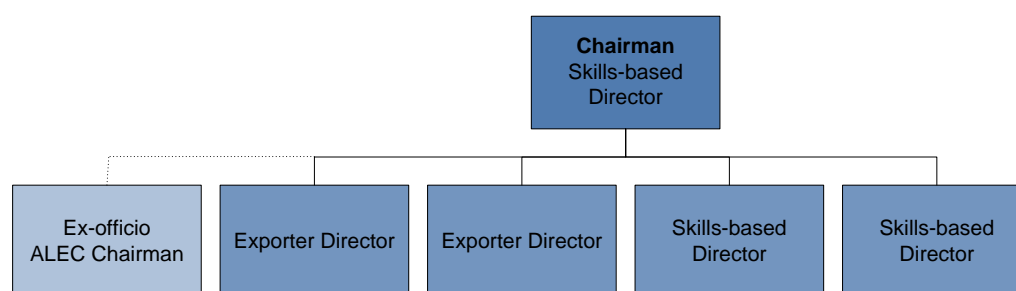
Members have the ability to call for an election for the two directly elected Directors should a notice be served by 25 per cent of applicable voters. This provides a strong means for the membership of LiveCorp to ensure that the direction and performance of the company aligns with its expectations.

The concentration of the membership of LiveCorp also means that there is a much more direct feedback pathway and accountability between the company and levy payers, with informal

consultation and advice sought on an ongoing basis (day to day) to guide and inform the programs and projects undertaken. This includes regular visits to each of the key exporter states to meet with members and state livestock export chapters to justify expenditure, seek input on directions and ongoing projects and to receive feedback on performance.

The Annual General Meetings also provide opportunities for members to provide feedback directly to the executive and the board on the performance of the company and its operations (including the investments in the LEP).

Figure 3 – LiveCorp Board structure



Extensive consultation with stakeholders is undertaken as part of the development of LiveCorp’s strategic and annual operating plans

LiveCorp conducts its activities and operations in accordance with a Strategic Plan and AOPs. These planning processes are inclusive of members, other levy payers and key stakeholders.

The Strategic Plan sets out LiveCorp’s mission, its objectives for the next five year period, the strategies to achieve these objectives, performance indicators to monitor progress towards the objectives (refinement and improvement of these indicators will be an important focus for the upcoming strategic planning cycle) and an estimated allocation of expenditure to strategies.

The plan includes analysis of LiveCorp’s operating environment, a corporate governance statement and an assessment of the alignment of LiveCorp’s objectives with the Government’s national and rural RD&E priorities.

The planning processes also capture the expectations of industry about how LiveCorp should contribute to the RMISP and ALEC’s Livestock Export Industry Strategic Plan. With the RMISP currently under review, this will be a consideration in the development of LiveCorp’s 2015 – 2020 Strategic Plan. The key strategic documents that influence LiveCorp’s operations are set out in Figure 4.

At an operational level, each year LiveCorp and the LEP develop AOPs to set out the priorities and programs for the year ahead. The AOPs provide detailed activity plans, budgets and KPIs. The planning processes also ensure the planned expenditure on RD&E is distinguished from that invested in other activities, but that they are also integrated and aligned.

The AOP development process includes an industry taskforce at which members and key industry bodies have the opportunity to examine the proposed programs and budget. The taskforce meetings also provide an opportunity to report on performance against the AOP for the year past, which is also set out in detail in the Annual Report (circulated at the Annual General Meeting). The AOP and the Strategic Plans both require approval of the LiveCorp and ALEC boards for finalisation before submission to the Department of Agriculture for consideration / approval. The LiveCorp strategic planning and annual operating cycles are outlined in Figure 5.

Consultation with levy payers and other key stakeholders continues throughout the strategic planning period

Consultation with levy payers and other key stakeholders is able to be efficiently and effectively undertaken due to the structure and nature of the livestock export trade and the systems established to ensure engagement – such as the Livestock Export R&D Advisory Committee and the Livestock Export Industry Protocol Committee.

LiveCorp also realises how important capturing the ongoing input from exporters is as a feedback loop throughout the year towards guiding its priorities, improving its outputs, assessing its performance and gauging the ongoing relevance of the strategic directions. For example, the experiences of livestock exporters in implementing ESCAS were vital in identifying the areas of the highest cost and greatest inefficiency and duplication. This input has helped to guide and refine the planning and priorities for the supply chain efficiency and regulatory performance stream for the past several years.

The LiveCorp Chairman, CEO and Program Managers also meet with key stakeholders on a regular basis throughout the year. These meetings include attendance of ALEC board meetings and meetings of state exporter associations, attendance of producer peak council meetings, meetings with individual exporters and meetings with government.

The partnership with MLA, that has links with the peak councils representing cattle and sheep producers, further facilitates consultation with producers supplying the livestock export trade. This ensures that whole of chain challenges and priorities are taken into account. The strong links that LiveCorp has with livestock exporters and producers – through MLA and its peak councils – reduces the risk of investment in projects of low industry or community value and increases the rate of adoption.

Figure 4 - Strategic plan and annual operating plan pathways

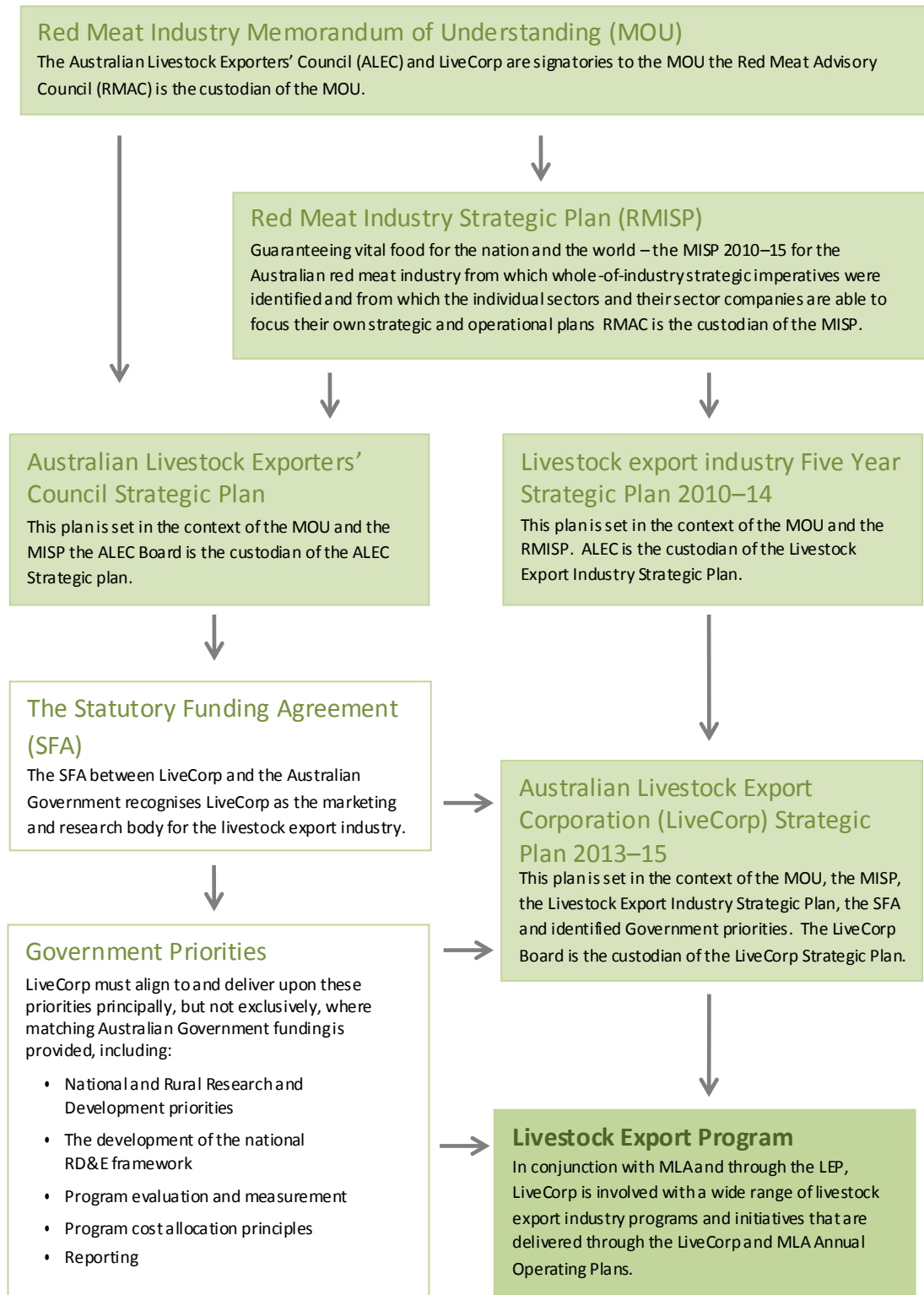


Figure 5 - LiveCorp's strategic and annual operating planning processes



Outputs

Annual Operating Plans

2013 AOP
2014 AOP
2015 AOP

Annual Reports

2012 Annual Report
2013 Annual Report
2014 Annual Report
2015 Annual Report



Annual General Meetings

2012 AGM
2013 AGM
2014 AGM
2015 AGM

General Meetings

2013 General Meeting

LiveCorp Board Meetings

>18 Board Meetings
> 12 Out-of-session Meetings

Performance Reviews

2013 LiveCorp Board Performance Review

Revision of the 2010-14 Strategic Plan



LEP Stakeholder surveys

2012 survey
2014 survey
2015 survey

Operational Prioritisation, Approval and Consultation Processes and Structures

In addition to the annual operational planning processes, LiveCorp seeks expert input to guide program delivery throughout the year.

Research, Development and Extension (RD&E)

Within its RD&E investment system, LiveCorp and the LEP have established review and approval processes that ensure representative exporter and stakeholder (e.g producers) involvement and opportunities to influence. The RD&E approval process is outlined in Figure 6. The key mechanism for RD&E prioritisation is through the Livestock Export R&D Advisory Committee (LERDAC). The role of LERDAC is to advise the LEP RD&E Management Committee on the strategic direction of the program, project terms of reference, RD&E expenditure, project approvals and reports, communication to industry and the need for the establishment of Consultative Committees (which provide additional advice / guidance on specific projects from relevant members and stakeholders).

The LERDAC membership is as follows:

- Four livestock exporters nominated by ALEC
- Beef producer nominated by Cattle Council of Australia
- Sheep producer nominated by Sheepmeat Council of Australia
- Beef producer nominated by the Northern Beef industry
- LiveShip representative nominated by LiveShip
- LiveCorp nominee
- MLA nominee
- MLA Animal Health and Welfare Manager
- MLA R&D Manager
- Independent technical advisor

LERDAC ensures regular interaction with livestock exporters to make them aware of RD&E results, accelerate adoption and to obtain input into the future RD&E program. LERDAC meets in varying capital city locations and exporters are invited to attend. LERDAC also convenes a biennial RD&E conference to facilitate interaction between exporters and researchers.

Overarching LERDAC is the LEP RD&E Management Committee which is responsible for approving project terms of reference / applications, contract schedules, final reports, the RD&E budget and ensuring adherence with relevant strategic, operational and governance requirements.

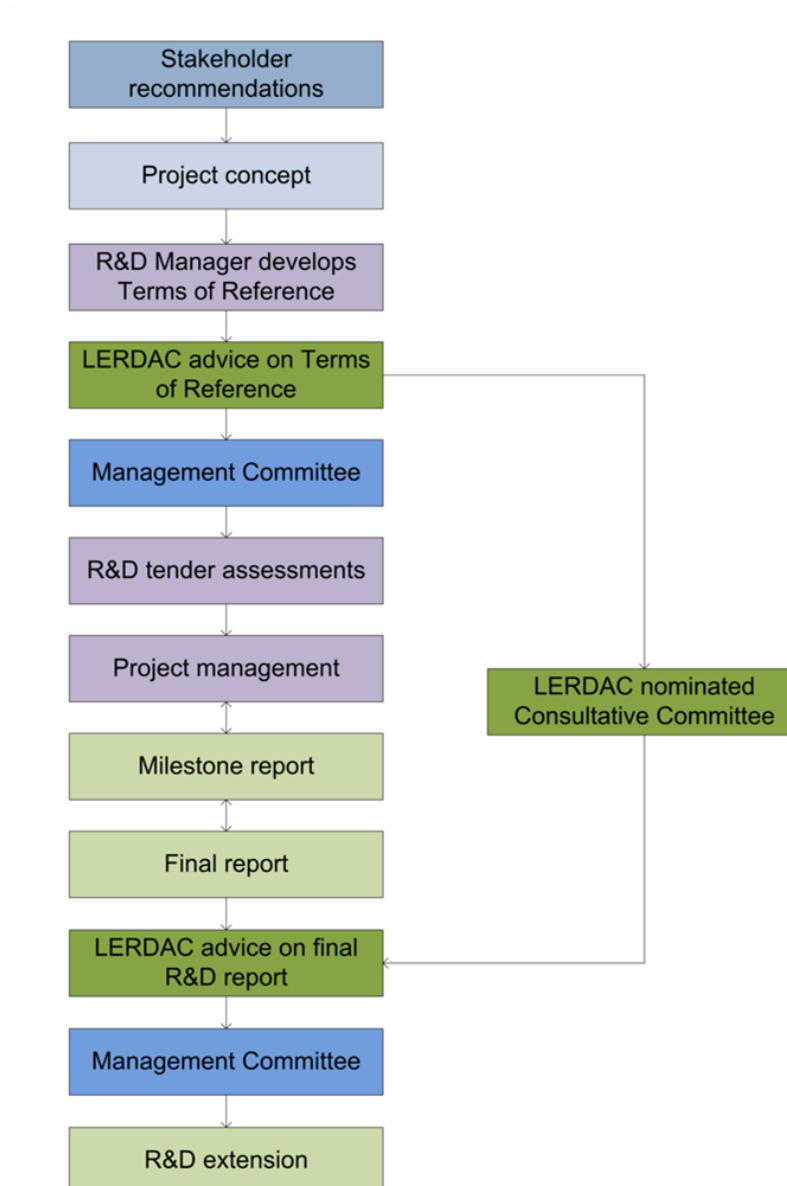
The Management Committee is comprised of the:

- LiveCorp CEO (and LEP co-manager)
- MLA Live Export Manager (LEP co-manager)
- MLA Animal Health and Welfare Manager
- MLA R&D Manager
- LiveCorp Industry Capability Manager
- Chairman of the Live Export R&D Advisory Committee

Further to Management Committee approval, the LiveCorp Board must approve projects with a total budget over \$300,000 or greater than \$200,000 in any one year.

Members of LiveCorp are actively encouraged and engaged to provide feedback and advice on gaps or ideas for new project concepts / proposals and to become involved in project delivery and review.

Figure 6 - Livestock export industry R&D project review and approval process



Protocol Committee

The livestock export industry has an established Protocol Committee to provide technical advice on issues that may impact on market access and to determine the industry's priority markets for the LEP work program. The Protocol Committee consists of the Sheepmeat Council of Australia, the Cattle Council of Australia, MLA, LiveCorp (Secretariat and technical advice), the Australian Department of Agriculture and five exporter representatives nominated by ALEC.

The exporter representatives are responsible for providing advice on strategic market opportunities and technical issues. This advice is used to identify priorities and programs for the year. The outputs of the Protocol Committee are highly regarded by the Department and it has played an important

role in contributing to successful market access outcomes through improved priority setting, resource allocation, technical support and coordinated industry advice on issues.

(E) OPPORTUNITIES FOR LEVY PAYERS TO APPROVE AND REAPPROVE THE IMPOSITION OF LEVIES

There is an established process for approving or amending levy rates

The process for any industry or group of levy payers to introduce or amend a statutory levy is clearly set out in the Australian Government Department of Agriculture's *Levy Principles and Guidelines*. These principles and guidelines require the relevant industry's representative body to make a submission to the Australian Minister for Agriculture detailing the proposal and demonstrating strong industry support for the levy and the mechanism proposed. This submission must detail the:

- Outcomes of consultation and polling with industry;
- Approach to applying and collecting the levy (and any exemptions);
- Rate (volume or value) to be applied to the leviable product;
- Plan for using the funds; and
- The body to which the levy will be disbursed.

As well as the need for polling and consultation with industry in the development of a levy proposal, once agreed and submitted to the Government there are further opportunities for industry participants to object and for further scrutiny. The steps for consideration of a proposal submitted by industry are:

- A six-week objection period;
- Assessment of the proposal against the Levy Principles and Guidelines;
- A regulatory impact statement, that may include further industry consultation;
- Consideration of the proposal by the Minister for Agriculture; and
- Implementation of the levy through legislation or disallowable instrument.

It is also possible for the livestock export industry to seek to have the levy rate reduced to zero if there is no longer support for a compulsory approach.

There is strong support from livestock exporters for a compulsory levy

The size and structure of the livestock export industry is amenable to deep consultation to ensure all existing and potential levy payers are aware of and contribute to any decision on the levy rate. Both ALEC and LiveCorp have membership from a very large proportion of the industry, both in absolute numbers and in terms of market share of export volumes. The close association with levy payers is helped by exporters being able to become direct members of LiveCorp, ALEC or one of its State Chapters.

When the rates of the levies were last increased in 2007, the process to test broad industry support included:

- An industry strategic planning conference with participation from a wide range of industry stakeholders, including producers who were represented through producer peak councils;
- A formal presentation on the levy proposal to the Board of the Australian Livestock Exporters' Council (ALEC) and all state chapters of ALEC;
- A formal presentation to the ALEC Annual General Meeting;
- Formal consideration and vote by ALEC and each state chapter;

- Formal presentations to each of the six major exporters;
- An information package was sent to all members of LiveCorp, associate members, and all other licensed livestock exporters;
- A statement of views was sought from those who were ineligible to vote; and
- A Special General Meeting of LiveCorp was held to vote on the proposal.

At the Special General Meeting, 27 of the 31 eligible members (those that held a livestock export licence and were actively exporting) voted, with 24 in favour and 3 against the increase. There was 96 per cent support for the higher statutory export charge rate when measured on eligible voting rights (one vote for every \$100 of levy paid). The statement of views from potential export charge payers provided a further measure of support for the higher statutory export charge rate. Of the 33 companies who received the mail out package, 13 responses were received and only one of these disagreed with the levy increase (the author of which also voted as an eligible member). Therefore, of the 39 exporters who voted or provided a statement of views, only three were against the charge increase.

The high level of support was achieved in 2007, despite the levy rate increasing 33 per cent in the case of cattle and doubling in the case of sheep and goats. This reflects the strong business case presented to exporters and the value they see in the collective investments made by LiveCorp.

Within the broader industry, support was shown at the 39th board meeting of RMAC, where relevant peak industry councils (SCA and CCA) and MLA supported the livestock export industry's decision to increase the statutory levy.

While membership of the industry changes and grows over time, support for the levy remains and LiveCorp works closely with ALEC and exporters through formal settings and ongoing engagement to monitor concerns. To date, no concerns have been raised with either the levy rate or its expenditure. The ALEC and LiveCorp Annual General Meetings are also a regular opportunity to test the levy rate with exporters.

It is important for a request for a statutory levy to be initiated by industry

Support for the introduction of a statutory levy on dairy cattle exports is currently being tested with livestock exporters and other interested parties. Dairy cattle are exempt from the existing levy, but exporters have still been making voluntary contributions to LiveCorp's dairy export program since late 2006. With the growth of breeder cattle exports, the need for tailored support and services has also grown together with the need to have a sustainable funding base to continue to meet industry's expectations.

This process is being led by ALEC and LiveCorp considers that it is appropriate that the peak industry council take forward levy proposals. This separation between ALEC and LiveCorp allows for an independent assessment by the industry representative body, on behalf of industry members, of the performance of LiveCorp in delivering industry services. Without this separation there would be concerns about a conflict of interest in developing industry proposals for levy changes and in managing accountability to industry members for how levies are spent. LiveCorp supports ALEC with data and analysis to input to the business case for industry and government.

A comprehensive consultation process for the dairy levy is being proposed to ensure broad industry support before the proposal is formally put to government. Consultation and communication activities are planned to ensure exporter and dairy farmer awareness and understanding of the proposal. ALEC will also consult with its state chapters, members and dairy farmer representative bodies. A poll of exporters will be conducted to ensure industry support from levy payers can be demonstrated.

(F) THE TRANSFORMATION OF R&D AND MARKETING INTO INCREASED FARM GATE RETURNS, INCLUDING THE EFFECTIVENESS OF EXTENSION SYSTEMS

The livestock export industry underpins farm gate returns for cattle (beef and dairy), sheep and goats

LiveCorp plays an important role in supporting the competitiveness and sustainability of the live export trade. The live export trade has been fundamental in meeting the demands of our trading partners in Asia and the MENA region, and this demand is growing for feeder, slaughter and breeder animals around the globe.

The programs and services of LiveCorp support the livestock export trade and in turn the regional communities and livestock producers that benefit from the trade. Not only are livestock exports a primary marketing option for producers, especially in northern and western Australia, but it has been shown that the trade underpins farm gate prices for livestock across Australia.

The importance of LiveCorp's RD&E and other services to farm gate returns can be illustrated by the real threat to the industry of disruptions to the trade, even closures to key markets. For example, significant impacts on farm gate prices were witnessed during the suspension of trade with Indonesia in 2011.

Continuing to secure a social licence for the industry, while ensuring the complex regulatory and market conditions do not impact unnecessarily on exporters' productivity, is a key task for LiveCorp. This support has proven critical for both exporters and the government.

Some activities are a necessary cost of business for the livestock export trade

Investment in RD&E in the livestock export industry is not always directed at an immediate commercial outcome. There is increasing scrutiny of the livestock export trade and the protection of animal welfare during transport and through the supply chain after disembarkation in destination markets. Improving animal health and welfare is a primary objective for LiveCorp and this is reflected in its strategic plan, with around forty per cent of its funds estimated for expenditure against this objective (Figure 7). This is also reflected in the LEP RD&E Program where annually between 70 – 75 per cent of the budget is spent on animal health and welfare projects (Figure 8).

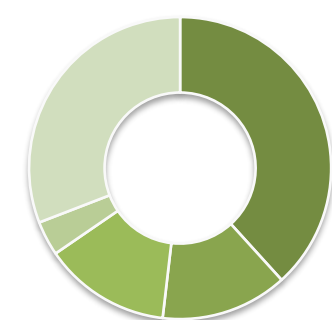
The ability of the industry to respond to the challenges against its social licence to operate is a key factor in its sustainability. Without the investment in RD&E and other services, exporters could not have achieved the huge improvements in welfare along the supply chain in such a relatively short period – nor could industry strive for continual improvement without these investments.

While LiveCorp has a strong emphasis on animal welfare RD&E, it also invests in supply chain efficiency / regulatory performance and market access. The supply chain efficiency and regulatory performance investments are often focused on identifying means to comply more effectively and efficiently with government animal welfare regulations. Similarly, animal welfare projects can also

improve the productivity and efficiency of industry (for example, through improved animal health and more efficient and faster processing through abattoirs). As such, there are often overlaps between these streams in the outcomes they deliver.

Nonetheless, it cannot be discounted that most of the economic benefits to livestock producers and exporters arise from the avoidance of the government need to apply regulatory constraints on livestock exports. Consultation undertaken as part of LiveCorp's most recent independent review under the statutory funding agreement (AgEconPlus 2013) confirmed the view that industry outcomes, especially in relation to animal health and welfare, would not have been achieved in the absence of the investments by LiveCorp.

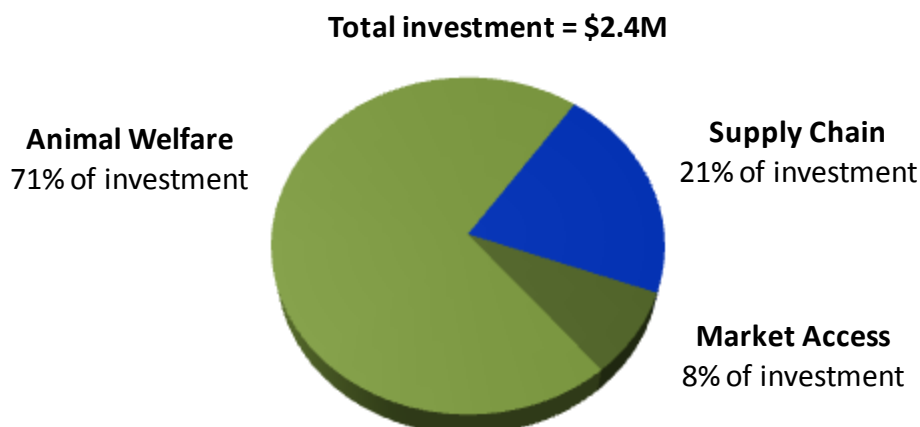
Figure 7 - LiveCorp 2013-14 expenditure by strategic imperative



Expenditure
\$3.277 million

Animal Welfare	44%
Supply Chain	15%
Market Access	13%
Communications	3%
Corporate Operations	25%

Figure 8 - Annual RD&E investment



Uptake and relevance of RD&E and marketing programs is driven by alignment with highest cost and risk areas for businesses and industry

To ensure that levy investments deliver the greatest returns, LiveCorp engages closely with exporters to align the RD&E and marketing efforts with specific issues that represent the greatest area of cost or risk to their business and the industry as a whole. These investments span the entire supply chain and the varying livestock export sectors and include, for example, audit duplication, standardised applications / protocols and adoption of audit best practice.

By virtue of its concentrated membership and proactive consultation approach, LiveCorp is able to develop targeted projects with the highest likelihood of uptake and the greatest benefits for the operations of exporters and the industry.

Animal health and welfare programs have enhanced industry sustainability and allowed exporters and importers to adjust to significant, rapid structural change

While there had been ongoing work for many years aimed at steadily improving animal welfare overseas through LiveCorp and the LEP, the ability and levers for these Australian organisations to drive the rate of change in overseas commercial operations were limited. Ultimately, the community and government determined that the rate of change was insufficient and following the suspension of trade ESCAS was introduced in 2011. The introduction of ESCAS in 2011 commenced a period of immense structural adjustment for the livestock export industry with exporters responsible for ensuring livestock exported to international markets were managed in accordance with Australian animal welfare regulations. The successful recovery of the industry relied on its ability to quickly implement the new ESCAS regulations.

In response, the LEP in-market and RD&E programs actively developed programs to support exporters to implement ESCAS including training, gap analysis and risk analysis. To enhance the ability of the in-market programs to deliver the technical support required by exporters and importers, industry standard operating procedures (SOPs) and work instructions (WI) for sheep & goats and cattle were developed by the RD&E program. These SOPs and WIs provided clear and consistent advice to importers and exporters as to what was required at the operational level to meet the new ESCAS requirements. The SOPs and WIs aimed to enhance uptake and communication and encourage the industry to implement the arrangements from a consistent and common platform.

Building upon the SOPs, the RD&E program developed standardised training materials based on systems generated by the in-market programs. These standardised training packages included a 'train the trainer' program (to enhance roll-out), DVDs and other visual aids to increase the effectiveness of communication. These training packages are now utilised across the three LEP in-market programs.

Cognisant of the need to continually improve and evaluate, the LEP commenced a project recently to evaluate the effectiveness of the training programs in achieving genuine change among participants. This project will provide a useful evaluation to support refinements to increase the effectiveness of the training in transferring animal welfare handling skills and knowledge and will provide LiveCorp and the LEP with a significant assessment of its training investments / program.

The training materials, SOPs and other technical publications have been translated into as many as 11 languages to focus on the overseas audiences they aim to influence. This end-user focus has been a key factor in building the accessibility of the program's extension materials.

In terms of returns to exporters and producers, the animal welfare investments made over this period and previously have been vital to allow the rapid improvements expected by the community and government. The success of the implementation of ESCAS and the benefits that have accrued to producers and exporters from a sustainable and committed trade have been significant and should protect Australia's rural and regional people and businesses from the devastating consequences of trade suspensions into the future. Further, the astonishing achievements in implementing and adjusting to ESCAS by exporters and importers, with the support of the LEP and LiveCorp programs, has delivered considerable spill over benefits to the Australian and international communities through the increased transfer of skills and knowledge in animal handling and welfare. The map at Figure 9 summarises the extent of this program.

This work has been widely applauded by the OIE and other importing country government authorities and in 2013, Dr Derek Belton the head of the International Trade Department at the OIE stated:

Industry's investments in improving implementation of OIE animal welfare standards and taking those improvements internationally to the rest of the world, have OIE's full and unequivocal support.

The live export trade (in Australia) is leading the world in animal welfare and providing benchmarking.

At an exporter and industry level, the in-market programs and the RD&E program within the LEP worked closely to design, produce and deliver the support required for the implementation of ESCAS. The ability to support supply chains to meet ESCAS requirements through gap analyses, risk analyses, training and technical support through the LEP in-market programs provided critical assistance in being able to build back the capacity of trading partners to receive livestock in equivalent numbers and to lift returns to exporters and producers.

Figure 9 – Animal health and welfare training delivered by the LEP and LiveCorp since 2011



Research, development and extension and the establishment and adoption of best practice standards has improved livestock delivery rates and performance

The strategic objective of LiveCorp's RD&E program is to support and enable continuous improvement and innovation, and enhance productivity and sustainability through thorough, targeted, consistent, effective and transparent research.

RD&E is the cornerstone of continuous improvement for the livestock export industry. LiveCorp's R&D program is conducted to address short, medium and long term priorities and includes experiments and research projects to fill knowledge gaps, undertake literature reviews and develop systems and software, standard operating procedures and other extension materials.

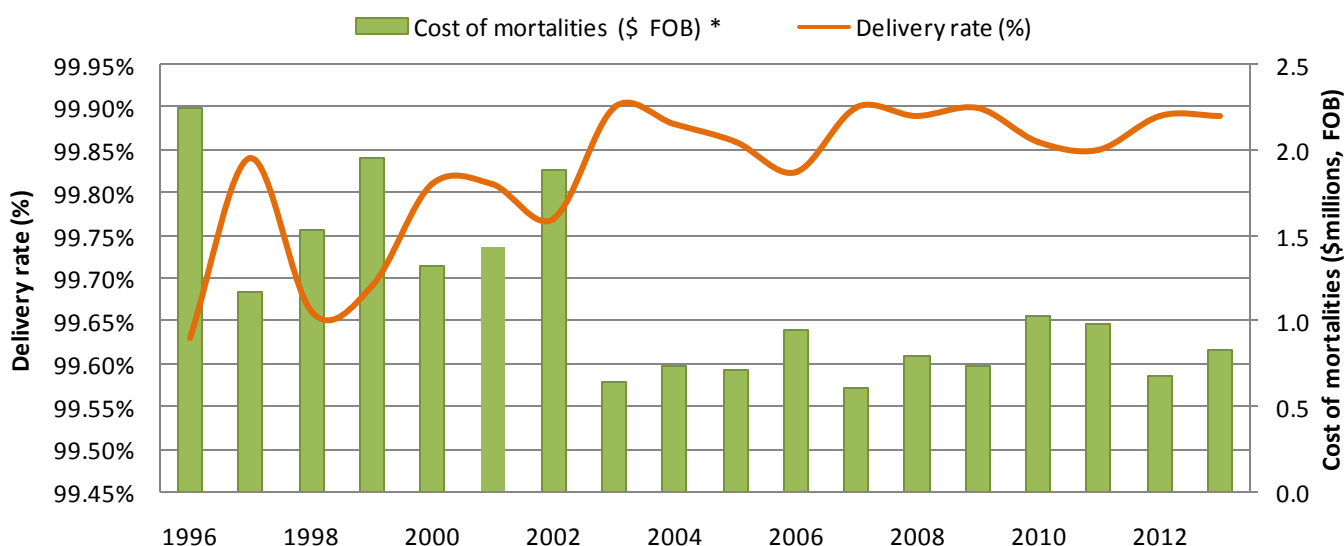
The RD&E work undertaken by LiveCorp within the domestic and export supply chain is fundamentally focused on addressing animal mortality and morbidity. Long term priorities for the livestock export industry and LiveCorp have been investigating improvements that can be made throughout the supply chain on-farm, on-board and in-market for over a decade. This work has led to long term research projects focused on key issues including livestock heat stress, bovine respiratory disease (BRD), salmonella and inanition.

- **Heat stress:** Since 2000, the livestock export industry has invested significantly towards better understanding ventilation efficacy / heat stress and in developing an on-board risk assessment for livestock exports to the Middle East – ‘HotStuff’. The development, refinement, expansion and validation of HotStuff has involved significant research for more than a decade.
- **Salmonella:** Salmonellosis is the leading cause of death in sheep exported from Australia. The industry has invested for a number of years in a project to develop a commercially modified live Salmonella vaccine that is safe, well tolerated and confers robust cross-protection in vaccinated animals. Clinical trials are currently underway and the vaccine promises to be a significant opportunity to further improve shipping performance.
- **Inanition:** Inanition is the second most significant cause of death in sheep during export preparation and transport. The research conducted by the LEP has included significant data collections and detailed analysis of the interaction between inanition and salmonellosis. A long term project is currently underway looking at backgrounding and feedlotting strategies to address inanition in sheep.

These are a few examples of the longer term investments made by the LEP towards filling knowledge gaps, investigating possible solutions and identifying best practice techniques or implementable outputs.

Improvements across the supply chain driven by RD&E outcomes and the establishment and adoption of best practice standards have delivered significant benefits in terms of animal welfare and in direct returns to exporters and producers from increased on-board delivery. The graphs at Figures 10, 11 and 12 provide an indication of the savings delivered by the improvements implemented – recognising that there are a number of factors that contributed to these outcomes.

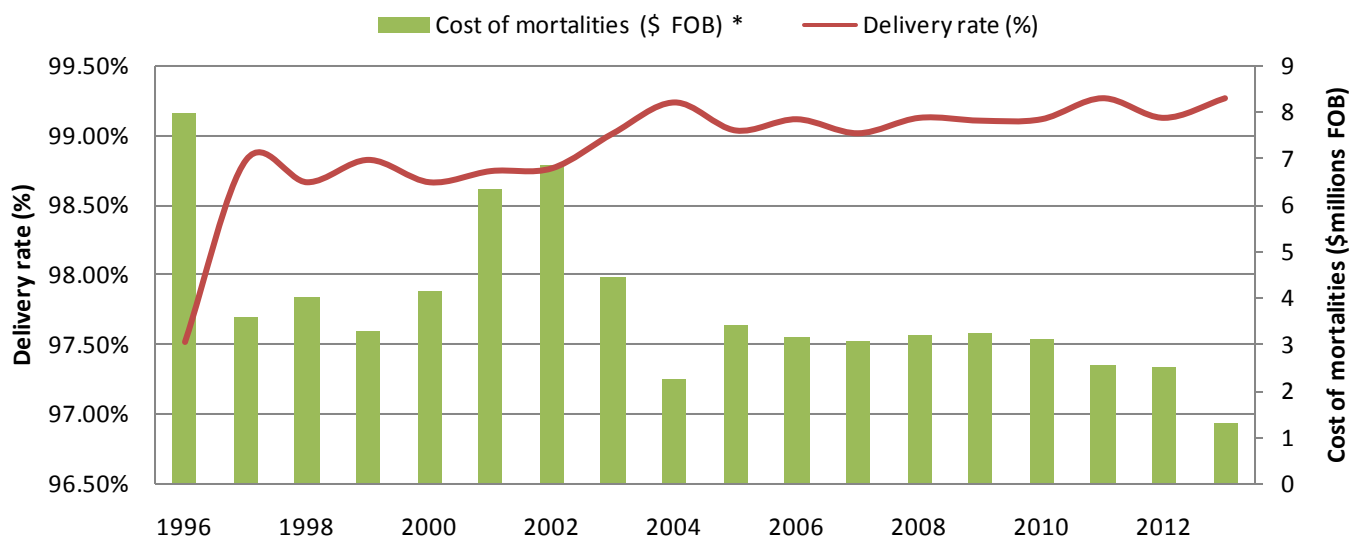
Figure 10 - Cost of mortality and the delivery rate of cattle (1996 - 2013)



Since 1996 the cost of mortalities for cattle exported from Australia has reduced by \$1.42M FOB *(from \$2.25M to \$0.83M FOB)

* historical values adjusted to comparative 2013 valuations using the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS)

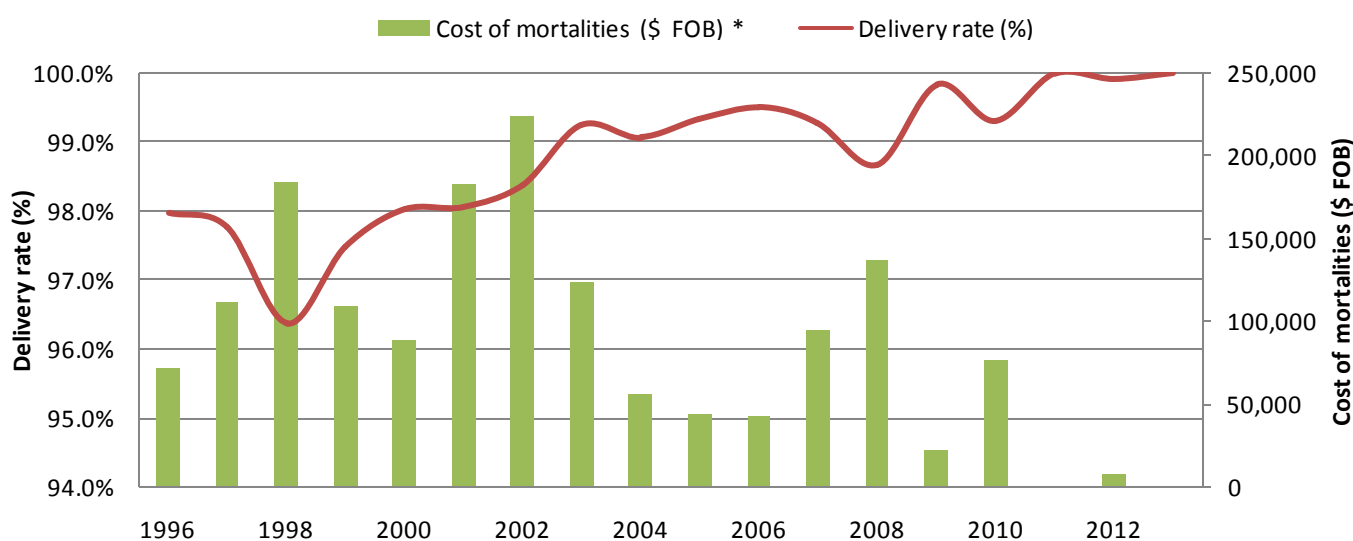
Figure 11 - Cost of mortality and the delivery rate of sheep (1996 - 2013)



Since 1996 the cost of mortalities for sheep exported from Australia has reduced by \$6.7M FOB* (from \$7.98M to \$1.27M FOB)

*historical values adjusted to comparative 2013 valuations using the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS)

Figure 12 - Cost of mortality and the delivery rate of goats (1996 - 2013)



Since 1996 the cost of mortalities for goats exported from Australia has reduced from a maximum of \$224,351 FOB* (in 2002) to \$0 FOB

*historical values adjusted to comparative 2013 valuations using the Consumer Price Index (CPI) published by the Australian Bureau of Statistics (ABS)

The collective saving under this type of analysis totals \$8.19 million since 1996. These savings flow back into the supply chain to support greater investments in animal welfare improvements and farm gate returns.

Livestock exports are heavily regulated and the supply chain benefits from efficient and best practice regulatory practices

Livestock exports are governed by a series of regulations and standards including the *Export Control (Animals) Order 2004*, ASEL and ESCAS. Each of these regulations provides different controls on the operations of the industry and there are opportunities to make refinements to reduce the regulatory burden of compliance, while still ensuring the desired outcomes are delivered (improved animal welfare and economic sustainability).

Through its close relationship with its exporter members, LiveCorp and the LEP have focused the supply chain efficiency and regulatory reform program on monitoring and recording areas of concern for exporters. This coordination of views has enabled the identification of areas of unnecessary duplication, ambiguity and misinterpretation. This has allowed the development of systems and materials – such as templates – to support and streamline the operational implementation of regulatory requirements. Such support has been highly valued by both exporters and the government as it has allowed regulatory and commercial pathways to become more aligned, allowing exporters to become more competitive in seeking out and capturing market opportunities for Australian livestock.

Research engaged by LiveCorp and the LEP also identified the significant costs of compliance in meeting ESCAS requirements and identified significant unnecessary duplication under the structures in place. LiveCorp worked closely with the LEP and ALEC to coordinate advice to the Department of Agriculture on the operations of ESCAS and using the insights of exporters and technical analysis of best practice regulation, assurance programs and administration the industry identified a number of priorities for reform. Many of these priorities focused on reducing duplication such as the repeated assessment of ESCAS on a consignment by consignment basis or the burdensome duplication of audits on facilities used by multiple exporters.

The LEP also engaged research to provide advice on best practice regulatory structures for the livestock export industry and to identify the costs of compliance and duplication in the current ESCAS and ASEL structures. LiveCorp and the LEP's investments in supply chain efficiency and regulatory performance are key examples of how regulatory objectives can be achieved in a globally competitive setting.

Market access provides flexibility for exporters, increases demand internationally, creates competition domestically and lifts farm gate returns

The market access programs are undertaken through the in-market, RD&E and Industry Capability Programs. The key role for the RD&E program in the market access space has been to support the gathering of information on markets to underpin industry strategic planning for market access activities or to support possible international animal health projects.

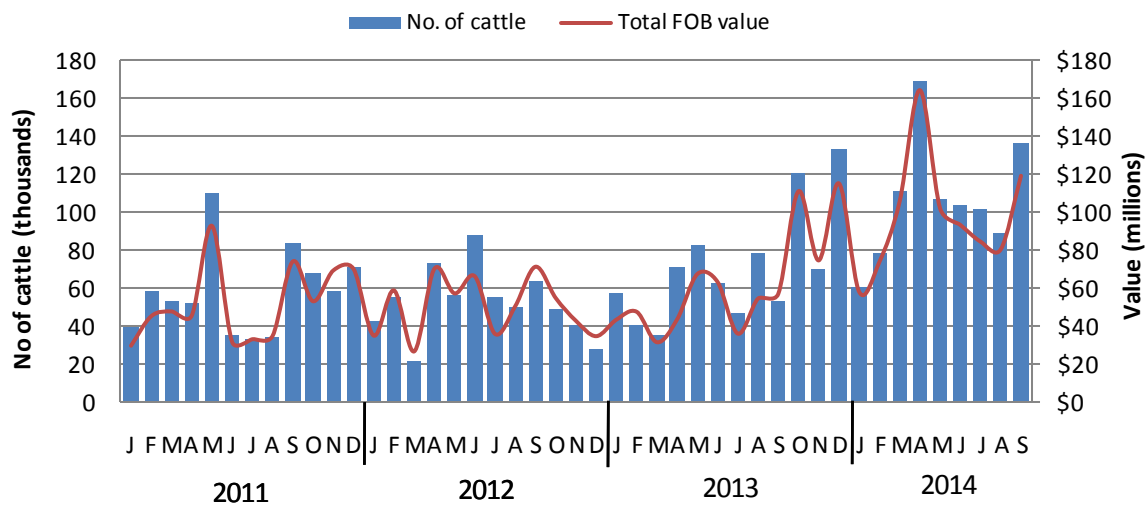
Through the in-market programs, there is considerable activity undertaken to build demand for Australian livestock and to explain the benefits of Australian livestock and the requirements for importation – including ESCAS. The in-market managers also provide critical information to the Australian Government to resolve issues and support health protocol negotiations.

The Industry Capability Program is responsible for the technical market access program which coordinates industry's advice and feedback on technical issues and protocol development and negotiations through the Protocol Committee. This function provides critical support and coordination for both industry and government.

The market access activities across the programs are vital in developing demand for Australian livestock and supporting the Australian Government to negotiate the agreements necessary for trade to commence. The opening of new markets and the removal or resolution of issues in existing markets are critical factors to the returns received by farmers. It provides additional flexibility for exporters to export to higher value markets and to manage risks, it increases demand and competition in the domestic and international market place and it increases the demand for livestock in Australia influencing domestic prices received by farmers.

By way of example, in October 2013 the Australian and Indonesian Governments negotiated a revised feeder cattle protocol and a new slaughter cattle protocol. The market access programs in Indonesia and the technical program in Australia, with the Protocol Committee, played critical roles in supporting the Australian Government to conclude negotiations. While there were a number of factors that led to the graph below (Figure 13), the market access activities in-market and in Australia supported an improvement in the exports of cattle to Indonesia from 280,394 between September 2012 – September 2013 to 749,618 between September 2013 – September 2014.

Figure 13 - Australian live cattle exports and value



Extension is a vital and evolving component of LiveCorp's activities

LiveCorp has also been developing its extension strategy, in line with the Government's Rural RD&E Policy Statement, to reflect the increasing opportunities to use new means of innovation and communication to drive adoption and uptake. The broad principles that have been adopted by LiveCorp in its extension capacity are outlined at Figure 14.

LiveCorp has initiated a revitalised approach to extension through the development of the Services and Innovation Program. This program has developed concept proposals and supported the delivery

of several key developments in 2013-14 and 2014 -15 aimed at utilising apps and more modern communication / extension devices. These included the Veterinary Handbook app (Figure 15) released in May 2014 by the Minister for Agriculture, the Hon Barnaby Joyce MP. Minister Joyce welcomed the development of a new app for those working in the livestock industries and congratulated LiveCorp and the LEP on building an innovative and practical tool for industry

“The Veterinary handbook for cattle sheep and goats app is a great resource for the whole industry, and will provide information on the diagnosis, treatment and prevention of diseases commonly seen during the transportation of livestock at the touch of a button. This app is a comprehensive, mobile resource aimed to assist the whole industry, from livestock handlers and animal health professionals to livestock producers, and veterinary and agricultural students”.

The launch of the app also received global recognition with Dr Bernard Vallat, Director General, World Organisation for Animal Health (OIE), noting that this initiative will further assure the health and welfare of livestock during transport to their export market destinations

“OIE congratulates the Australian livestock industries for this initiative to further assure the health and welfare of livestock during transport to their export market destinations”.

A further app (Figure 15) that aims to transfer the regulatory content from the Australian Standards for the Export of Livestock is also under development to assist in the accessibility and awareness of the regulatory requirements. The app will include feed, fodder, water and stocking density calculators and will ultimately assist ASEL to fulfil its animal welfare objectives.

Figure 14 – Principles of the LiveCorp Extension Strategy

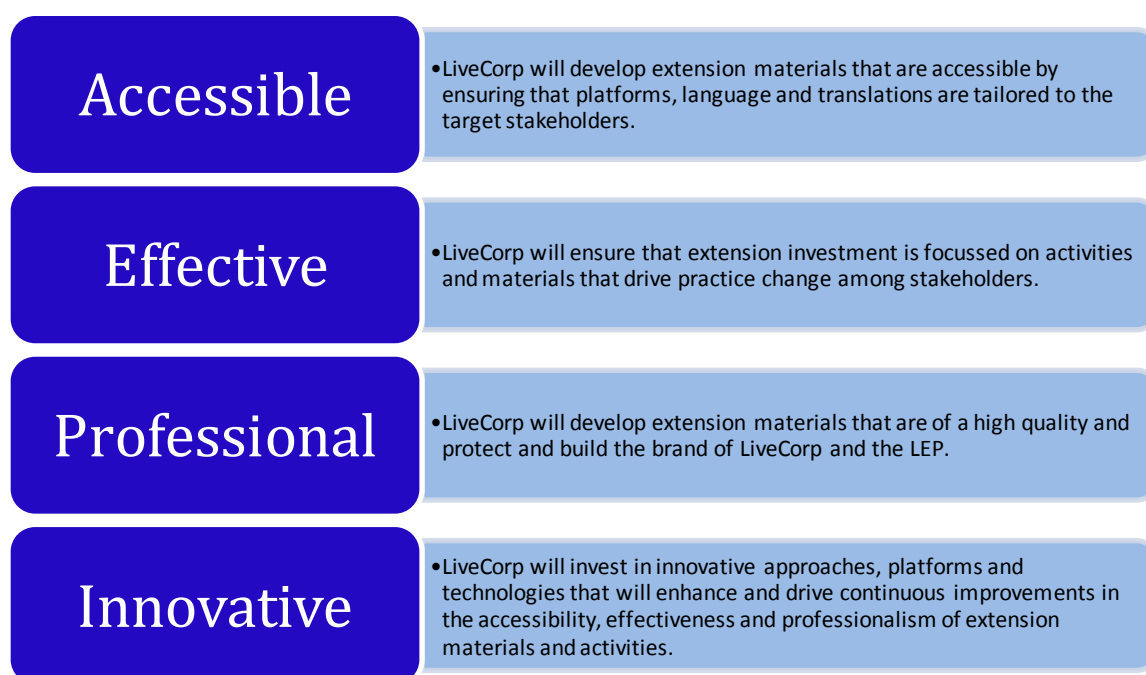
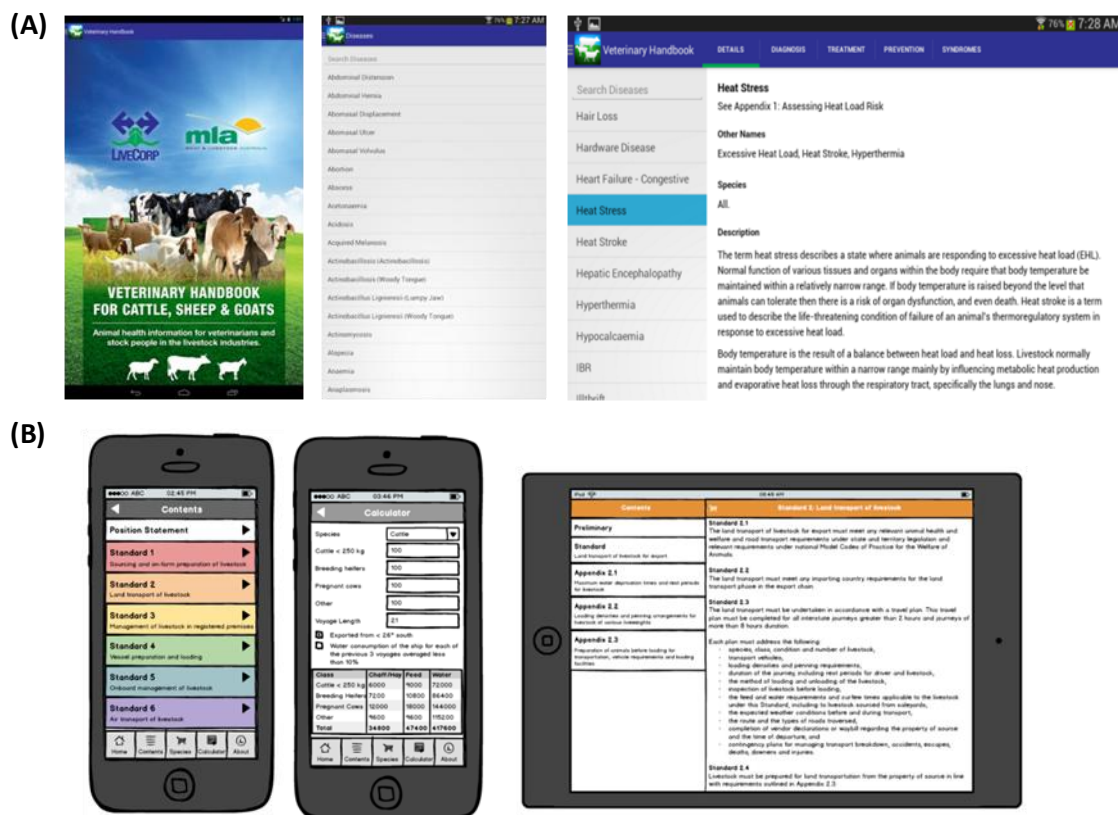


Figure 15 – Veterinary Handbook app (A) and the Australian Standards for the Export of Livestock (ASEL) (B) app



Maximising Australia's comparative advantage in a competitive global market

Australia's RD&E model is admired and envied by a wide range of our importing countries and competing countries, particularly central and south American countries. Australia's livestock and livestock export industry's capacity to demonstrate a unified approach to address critical industry issues, develop solutions and create and implement new knowledge should not be underestimated or undervalued in support of increased sales and customer loyalty.

Australia has a unique capacity to capitalise on R&D that is extending our competitive advantage. This is highlighted through NUS, ASEL, disease surveillance systems, training and extension outreach programs. Australia is the only country in the world providing after sales services and extension activities in overseas markets. This is most certainly appreciated by our trading partners and highly valued by importing country governments. The LEP is regularly engaged by trading partners to assist and collaborate in addressing areas of risk – the R&D model allows Australia to remain actively engaged in issues which demonstrates partnership, collaboration and loyalty.

The LiveCorp / LEP programs in-market are key components of supporting the strong relationships with importers and deepening the loyalty base and value proposition for exporters.

Developing and maintaining efficiencies across corporate operations has increased LiveCorp's allocation to program expenditure

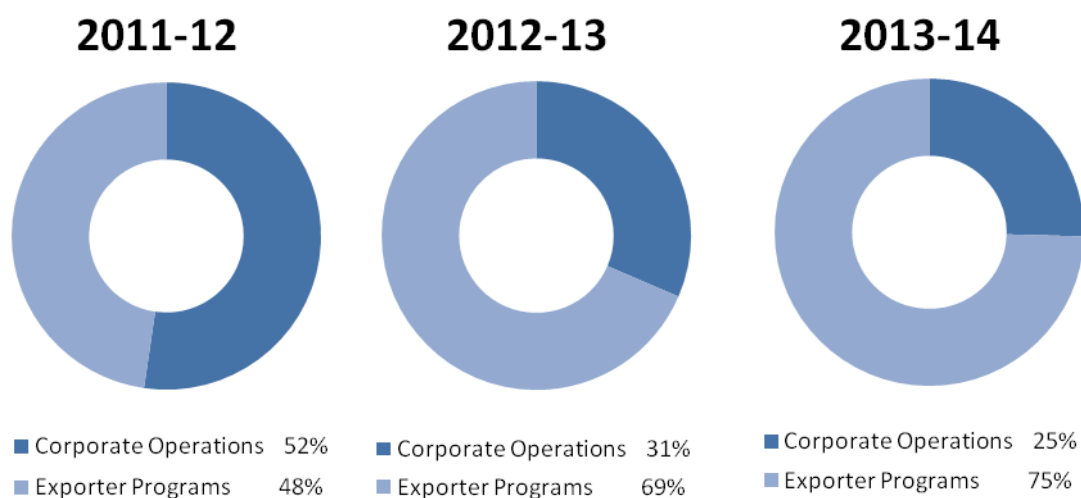
In 2011 – 2012, the LiveCorp board (with the support of members) commenced a restructure process to respond to declining revenue and high overhead costs. The restructure aimed to identify more cost effective and efficient pathways to address its necessary overheads and corporate operations and deliver the greatest services to members.

In undertaking the restructure, LiveCorp targeted the major cost centres for the overheads including office location and associated costs, staff / administrative costs and the Board size, structure and operation.

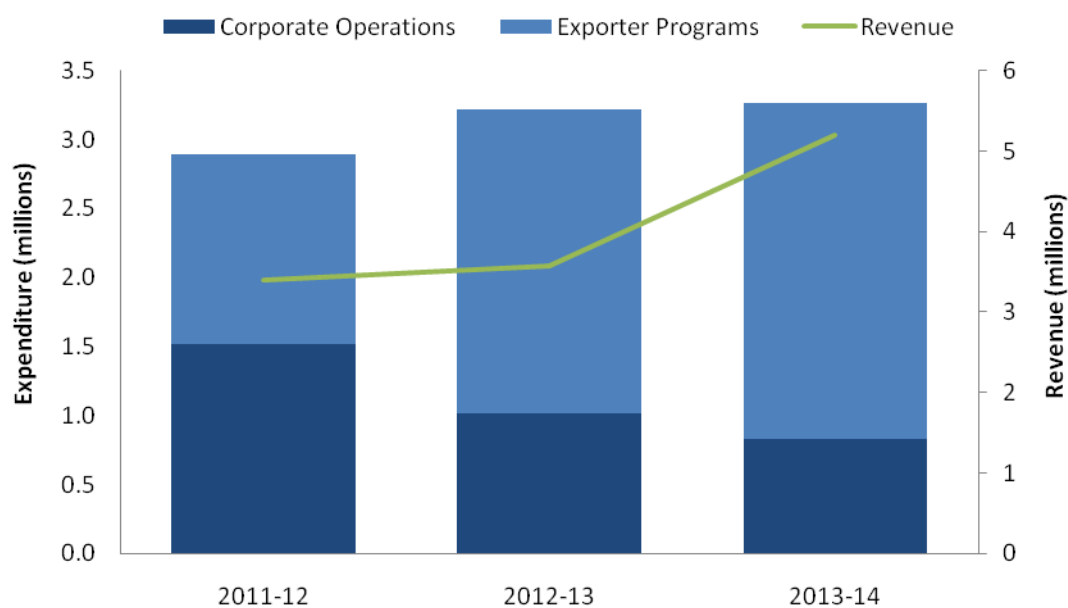
The restructure process resulted in LiveCorp implementing a range of cost saving and efficiency measures including moving its office to collocate with MLA, realigning staffing requirements to better meet member needs and reduce administrative costs, and a reduction in the Board size from seven to five.

These initiatives were successful in improving the ratio of overheads to programs and were made at a time of significant revenue fluctuation. Figures 16(a) and (b) show the annual expenditure of LiveCorp on corporate operations and exporter programs between 2011-2012 and 2013 – 2014.

Figure 16 - (A) LiveCorp annual corporate operations and exporter program expenditure



(B) LiveCorp annual revenue and expenditure (corporate operations and exporter programs)



(G) COLLABORATION ON RESEARCH TO BENEFIT MULTIPLE INDUSTRY AND RESEARCH SECTORS

As an industry owned R&D company, LiveCorp must be able to demonstrate value to levy payers for collaboration to succeed

The RDC model has many superior features – including its linkages to industry, researchers and the government – that are crucial in ensuring the R&D remains relevant, focussed and valuable. Collaboration on RD&E helps ensure the investment of levy funds is effective and duplication minimised.

LiveCorp is highly equipped and skilled in its capacity to apply effective research design and analysis along the research continuum to ensure alignment with the key areas of cost and risk for its livestock exporter member businesses. The current arrangements allow LiveCorp to play a strong role in systems integration within the rural R&D framework, drive outcomes through expertise in planning and procurement, and be more objective in research priority setting on behalf of livestock exporters.

The policy framework in which LiveCorp operates supports and encourages collaboration.

In its 2011 Inquiry, the Productivity Commission acknowledged the strengths of the RDC model, noting the close links with industry and the ‘systems integrating’ role that the RDCs play in terms of collaborating with other research funders and influencing research priorities and framework reform.

The government’s National Research and Development Priorities frame priority setting by all RDCs and provide a common understanding about where greater coordination and collaboration can occur. Where the government has its own priorities for research to address broader public priorities, it is important that there be consideration to how collaboration with public research agencies be achieved as well as through other sources of public funds.

RDCs have also recognised – with the establishment of the Council of Rural Research and Development Corporations (CRRDC) – the need for a forum to share information, contribute to policy making on rural R&D, and develop frameworks and methodologies that can be shared across RDCs. LiveCorp is an active participant and supports the work CRRDC is doing to coordinate the interface between RDCs and the broader rural innovation system.

LiveCorp participates in a number of collaborative partnerships, networks and joint ventures. For these efforts to succeed and deliver meaningful benefits, it is critical activities remain in step with the priorities of levy payers and demonstrate to them the value they are getting for their investment.

The LEP delivers benefits for producers, exporters and the community

Since it was established in 1998, LiveCorp has worked in partnership with MLA through the LEP, an unincorporated joint venture. The LEP is widely recognised as the most efficient mechanism for delivering RD&E and in-market technical support to the livestock export industry. This collaborative

arrangement maximises the delivery of an integrated whole of supply chain approach while at the same time limiting duplication of effort and ensuring significant administrative efficiencies are achieved.

The LEP continues to be the primary demonstration of how collaboration can harness the collective RD&E effort to deliver productivity, animal welfare and market access for both livestock exporters and producers. LiveCorp and MLA invest levies paid by Australian exporters and livestock producers respectively, and obtain a matching government contribution up to the legislated cap. A variety of RD&E is undertaken to identify and encourage the adoption of best practice in animal health and welfare, handling and performance across the supply chain. The Livestock Export R&D Advisory Committee and R&D Management Committee outlined in section D ensure connections across sectors are part of the decision-making process.

This partnership with MLA ensures RD&E is strongly market and customer focussed, allows LiveCorp to take advantage of the economies of scale by effectively outsourcing to MLA the in-market delivery of the LEP objectives, and simplifies governance arrangements for the provision of matching funding from government. LiveCorp is able to take advantage of MLA's project and financial management systems and its arrangements for contracting research providers, publishing research results, and protecting intellectual property. This enables LiveCorp, the smallest RDC, to ensure that the costs of administering the LEP are kept at a level able to be achieved by one of the largest RDCs while maintaining independence in the accountability for each sector's levy funds.

Reviews continue to conclude that this collaborative investment by industry and government has lifted animal welfare performance and sustained the livestock export trade at higher levels that would not have been possible without this co-investment.

LiveCorp has effective control over investment and program activities in the LEP

The LiveCorp CEO is the Livestock Export Program co-manager, alongside the MLA Livestock Export Manager. The co-managers are responsible to their boards to ensure that the LEP operates efficiently and in alignment with the respective strategic priorities set out in the annual operating plans. The LiveCorp board also plays an important role in approving significant projects and the LEP AOP is considered alongside the LiveCorp AOP at industry planning sessions and through LiveCorp and ALEC board approval.

At the program level, the LiveCorp Industry Capability Program Manager is a member of the Livestock R&D Management Committee and works closely with the in-market and RD&E LEP managers.

The Livestock Export Program is not the only source of collaboration

Both directly and through the LEP, LiveCorp has identified a number of opportunities for collaboration on RD&E with other RDCs and with the research community generally.

Drawing on the voluntary contributions from exporters, a joint collaboration with Dairy Australia on a dairy heifer trade scoping study was recently undertaken. LiveCorp also collaborated jointly with

the Rural RDCs as host of the Meeting of the G20 Agricultural Chief Scientists in June 2014. The meeting allowed LiveCorp to demonstrate the successes of the RD&E program to global leaders in agricultural science and promoted key outputs of international relevance and significance, including the SOP training materials and the live export veterinary handbook app.

LiveCorp has also been engaged in the priority cross-sectoral RD&E strategies under the Primary Industries Ministerial Council RD&E Framework, particularly where issues align with industry priorities and demonstrate value for money for livestock exporters. To date, focus has been on the Animal Welfare RD&E Strategy and Animal Biosecurity RD&E Strategy. These efforts allow for more effective research focus by removing the risk of duplication and better sharing information, and ultimately understanding where new work across research agencies should be targeted.

The livestock export RD&E program makes a considerable contribution to maintaining technical capability within public research institutions, state government agricultural research organisations and universities through joint projects and education programs. These collaborations have recently involved the Australian Commonwealth Scientific and Research Organisation (CSIRO), Murdoch University, Sydney University, Melbourne University, and the Department of Agriculture and Food Western Australia. The LEP has also increased its efforts to collaborate with industry organisations in the Asia Pacific and MENA regions and with the World Organisation for Animal Health (OIE). This reflects the significant animal health and welfare extension and training undertaken by the LEP in overseas markets.

(H) INDUSTRY GOVERNANCE ARRANGEMENTS, CONSULTATION AND REPORTING FRAMEWORKS

LiveCorp's arrangements allow for industry ownership while ensuring robust governance

The current structure of the red meat industry was introduced in 1998 by the red meat and livestock industry reforms. These reforms gave greater responsibility to the industry and reduced the involvement of government in its activities. Concepts of self-determination and self-regulation underpinned the reforms, which at the same time sought to ensure appropriate representation, governance and accountability for its activities through the new industry structures.

A key element of these reforms was the establishment of the Red Meat Advisory Council (RMAC) as an industry forum of six peak industry councils: Australian Livestock Exporters' Council, Cattle Council of Australia, Sheepmeat Council of Australia, Australian Lot Feeders' Association, Australian Meat Council and National Meat Association of Australia. RMAC's role is to advise the Government on whole-of-industry matters, including industry multi-sector policy and strategic matters.

A memorandum of understanding (MOU) between the red meat industry and the government sets out the roles and funding arrangements in relation to the red meat industry. As a result of the MOU, three service providers were established as industry owned companies limited by guarantee under corporations law. These were MLA, LiveCorp and the AMPC. This structure allowed for separation between the management of levies and services for each sector, reflecting the diversity between each sector's size, structure and interests. The sectors are very different in terms of the types of businesses, skills and knowledge, and issues each confront. The governance structure of MLA, LiveCorp and AMPC is outlined in Figure 17. The new, industry owned, arrangements were to:

- enhance industry's capacity to determine and address areas of market failure;
- implement and facilitate future industry agreed structural and other reforms;
- minimise government intervention while at the same time ensuring appropriate representation, governance, accountability and crises management arrangements;
- providing clear ownership by levy payers and non-statutory contributors, and appropriate participation in decision making processes and resultant benefits.

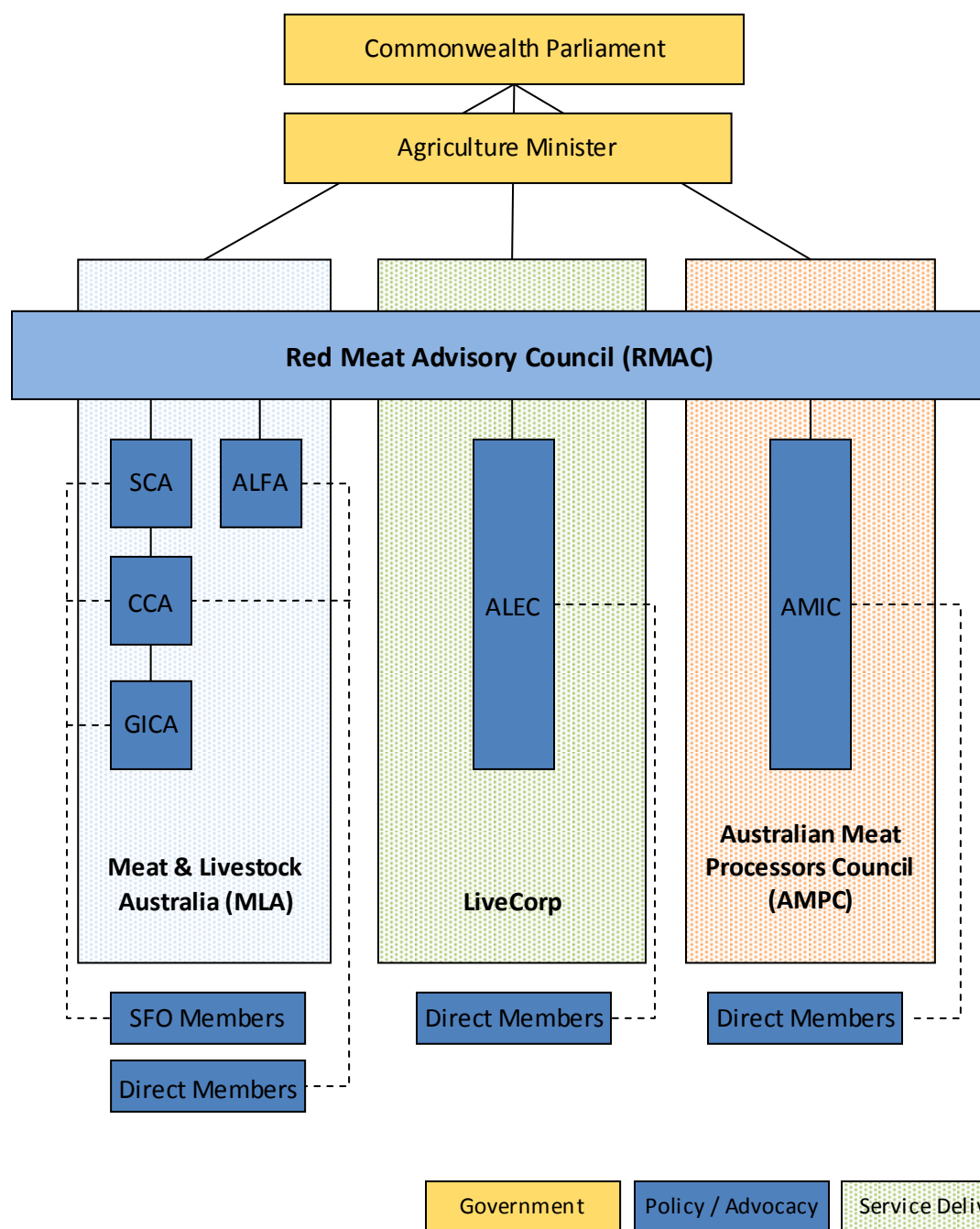
The MOU was updated and reaffirmed in 2007 and ALEC and LiveCorp are signatories. The MOU continues to provide the statement of principles for how the industry structures itself. The maintenance of separate governance arrangements for livestock exporters within the red meat industry allows the necessary accountability and transparency to levy payers and has been a key factor in the industry's support for the compulsory levy. The strength of the arrangements is the strong connection with industry coupled with robust governance and accountability under corporations law, including the *Corporations Act 2001*. LiveCorp provides the vehicle through which levy payers, and government, can be confident that investments are made in the industry's interests.

All licensed Australian livestock exporters are eligible to become members of LiveCorp and are encouraged to do so. By being members, levy payers can, amongst other things, maximise their opportunity to determine the future of LiveCorp from the makeup of the Board to proportion of levy expenditure. LiveCorp currently has 50 full members, reflecting a high proportion of levy payers and

an even higher proportion of the export trade. Associate membership, that does not have voting rights attached, is also available to other industry participants who can benefit from LiveCorp's services. ALEC and its state chapters are industry members of LiveCorp.

LiveCorp's company constitution sets out the objects of the company and other rules of operation. As with other public companies, the members of LiveCorp are able to vote to amend the constitution (pursuant to further processes outlined in its SFA with the government).

Figure 17 – Red Meat Industry Governance Structure



The industry governance arrangements ensure effective consultation and reporting with livestock exporters

This structure allows for the livestock exporters to have direct involvement in how their levy funds are invested and means divergent interests and priorities between different parts of the red meat industry can be avoided. LiveCorp communicates with its members and with all levy payers. LiveCorp also works with ALEC to ensure the vision and strategic imperatives for the industry are understood and reflected in LiveCorp's priorities.

Livestock exporters continue to maintain a preference for the current 'standalone' model. Experience from the years prior to 1998 when livestock export RD&E was managed by the Meat Research Corporation showed that industry only gets the assurance it needs by maintaining its own separate organisation to receive and manage levy funds.

Separate governance arrangements for livestock exporters, through LiveCorp, allows for effective consultation with livestock exporters and provides strong accountability back to both industry and government stakeholders. LiveCorp is confident that exporters remain willing to pay levies as they have strong visibility over and can contribute to the priority setting for the projects their levy funds.

Visibility is provided to industry through engagement in planning processes (outlined in section (D)), reporting on program progress and outcomes (including in LiveCorp's Annual Report), and ultimately by the improvements exporters witness in their operations and in the marketplace. Some of the engagement mechanisms include:

- Attendance and contributions to ALEC and state chapter meetings.
- Forums for livestock exporters to contribute to the development of strategic and annual operating plans, which are also available for scrutiny.
- Publication on LiveCorp's website of corporate documents, RD&E reports, industry statistics, and – through a members only areas – access to trade advice and other information.
- Annual and Statutory Financial reports are circulated prior to the AGM and published.
- Members are encouraged to attend and participate in AGM and annual industry conference.
- Ongoing consultation and reporting to ALEC, livestock exporters and MLA producer meetings.
- Circulation of fortnightly LEP updates and quarterly RD&E updates (see Figure 18).

Figure 18 – LiveCorp, LEP and RD&E updates



The LiveCorp Board also recognises the importance of the company's alignment with industry policies and the representative body – ALEC. ALEC plays a critical role in providing advice on industry policy and directions and undertaking consultation. To support these activities, LiveCorp has a clearly established and detailed Services Agreement with ALEC for the provision of the following services:

- Advisory Services on industry policy and implementation;
- Advisory Services for the Livestock Export Industry Consultative Council (LEICC);
- Advisory Services for additional Government meetings with regards to industry operations and policy;
- Advisory Services for Strategic Planning and the Annual Operating Plan;
- Advisory Services for Emergency Management Planning and Development;
- Advisory Services for Market Development, In Market Management of trade related issues and official delegation involvement; and
- Livestock Industry Consultation.

This Services Agreement has clearly stated roles, deliverables and requirements to ensure that the funds are not spent on agri-political activities and strictly in accordance with the provisions of the SFA. In addition, to ensure clear delineation LiveCorp requires ALEC to maintain funds paid under the Services Agreement in a separate account and report regularly against the deliverables and expenditure.

LiveCorp's Board is essential for accountability and acts as custodian of the levy funds

In accordance with LiveCorp's constitution – and the statutory funding agreement with government and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations – LiveCorp has a skills-based Board. The Board is accountable to LiveCorp's members for the performance of the company and for ensuring good corporate governance is in place. Good governance not only ensures transparency and controls, it supports better performance.

The Board must demonstrate collective expertise in the following:

- corporate governance;
- livestock management and welfare;
- export, transportation or husbandry of livestock;
- international market development, international trade and international organisations;
- R&D, technology, technology transfer, commercialisation of research and innovation;
- product promotion; and
- business and financial management.

A selection committee appoints three directors and two are directly elected by LiveCorp members. The constitution also recognises that the ALEC chair is an Ex-Officio director of LiveCorp.

The LiveCorp Board has a strong focus on strategy and priority setting for the industry's levy investment. The Board also has an important role to monitor and evaluate the performance of

LiveCorp. The Board works closely with the MLA Board and the ALEC Board to ensure appropriate alignment across the organisations.

The use of the Commonwealth's powers to collect the levy justifies additional governance obligations, for the benefit of industry and the broader community

LiveCorp has obligations to the government for the expenditure of levy funds through a statutory funding agreement (SFA). The SFA is a contract between the Commonwealth of Australia and LiveCorp for the purposes of the AMLI Act. The SFA enables LiveCorp to perform the functions of the declared Livestock Export Marketing Body and the Livestock Research Body.

The SFA is required to allow funds appropriated by Parliament to be provided to LiveCorp through the Department of Agriculture. LiveCorp demonstrates through its compliance with the SFA that the levy funds are spent for the purposes for which they are appropriated, essentially for the delivery of marketing and RD&E services.

The SFA provides the government with several avenues to ensure good governance, accountability and performance, while balancing the need for control over expenditure with the need for industry to set priorities and establish a commercial focus. Government primarily plays an oversight role. Each year, the Board of LiveCorp must endorse a compliance report to the Minister of Agriculture, demonstrating the amount of levy payments received during the year and that the spending of the levy payments complied with the SFA.

The SFA prohibits LiveCorp from engaging in 'agri-political activities', providing a further element to the governance framework to ensure that LiveCorp does not move into areas more properly the role of other organisations, such as ALEC.

LiveCorp has unqualified financial accounts. Further, to support its statement of compliance with the SFA, LiveCorp also has a compliance audit conducted each year. On all occasions, this audit has confirmed compliance with relevant sections of the agreement, including the efficiency of accounting systems, processes and controls.

Independent performance reviews of LiveCorp are to be conducted before entering into a new SFA. The most recent review of LiveCorp was completed in 2013. It found that LiveCorp is compliant with the SFA and that the requirements of the company constitution, funding allocation and general SFA compliance have all been met. The review also found that LiveCorp has met its obligations with respect to the provision of strategic and annual operating plans, other required plans, annual reports and budgets. A copy of this report was provided to the government and is available to other stakeholders.

LiveCorp's Board has agreed either fully or in principle to the recommendations of the independent performance review and has made significant progress in actioning them. Those consulted during the review – including senior Agriculture Department officials – were firmly of the opinion that industry outcomes, particularly in relation to animal health and welfare, would not have been achieved in the absence of LiveCorp's contribution.

LiveCorp also meets its obligations to report to the Minister for Agriculture (or delegate) and department through regular meetings. These meetings provide an opportunity, among other things,

to update the government on LiveCorp's progress with the implementation of plans and on industry developments.

Compliance costs of the SFA relate to activities such as planning documents, corporate governance manuals, annual report preparation and the three yearly performance reviews. Compliance with these processes is consistent with the *Corporations Act 2001*, sound business practice and would be rightly expected by members regardless of the SFA. LiveCorp continues to work with the Department of Agriculture to ensure that government receives all the information it needs, without unnecessarily adding to the reporting LiveCorp is separately obligated to do under corporations law.

The AMLI Act requires that the Minister also table LiveCorp's SFA, annual reports and compliance reports in Parliament. These legislative requirements add additional transparency and scrutiny on LiveCorp's operations.

In summary the governance, consultation and reporting obligations under the SFA are:

- Implement a framework of good corporate governance practice in managing and investing funds, which should draw on better practice guides, as appropriate, including the *ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, Third Edition, March 2014*.
- The Chairman or a board nominee must meet with the Commonwealth at not more than six monthly intervals to discuss progress against plans and measures taken to enhance corporate governance. LiveCorp must also meet with industry representative bodies at not more than six monthly intervals.
- LiveCorp must establish a Skills Based Board of directors which can demonstrate collective expertise against skill requirements and reflects the RDC's Constitution and/or charter.
- LiveCorp must have in place processes for evaluating the performance of the board and its committees.
- Consult with the Commonwealth on changes to the LiveCorp Constitution.
- Use funding for the purposes for which they were collected and consistent with plans, and not for agri-political activity.
- LiveCorp must establish accounting systems, procedures and controls, including a cost allocation policy, to ensure funds are spent appropriately and in accordance with the purposes they were collected.
- Prepare a three to five year strategic plan, following extensive consultation with the government, charge payers, representative bodies and other relevant stakeholders. The Strategic Plan must be endorsed by the Commonwealth and published on LiveCorp's website.
- Prepare an annual operating plan to implement the strategic plan, which must be submitted to the Commonwealth and which must include an evaluation plan.
- Prepare risk management, fraud control and intellectual property plans, which must be provided to the Commonwealth.
- Provide annual compliance audit and certification reports to the Commonwealth.
- Prepare an annual report, including financial statement audit report, in accordance with the requirements of the *Corporations Act 2001*.
- Have independent performance reviews undertaken.
- Apply funds in accordance with the *Australian Meat and Livestock Industries Act 1997* and in a manner consistent with the strategic plan and is otherwise efficient and effective.

- Take into account any government guidelines, such as the National Rural Research and Development Priorities.

Good governance supports improved performance

From LiveCorp's experience, its robust governance structures and policies – supported by an outcomes-focused culture – has led to improved decision making and better performance.

The Board has a clear vision for what it wants LiveCorp to be and what success for both its programs and the industry looks like. LiveCorp's forward looking approach ensures its strong governance framework not only provides for control and accountability, but also for opportunities to improve programs and services and ensure alignment with the needs and priorities of levy payers.

LiveCorp does not treat its accountabilities as merely compliance and monitoring activities. This allows for a more dynamic organisation. The Board engages in the activities of the company and with members, levy payers and other stakeholders on what they expect from LiveCorp and how to achieve it.

A key part of the connection between LiveCorp's governance obligations and its performance is the development and implementation of a systematic and comprehensive approach to monitoring and evaluation. This occurs at the organisational and project level. As part of LiveCorp's planning, focused, measurable and relevant key performance indicators (KPIs) are developed. At the same time, the systems to collect information are put in place.

This approach is important so that LiveCorp can demonstrate to levy payers what they have got for their investment. The close relationship LiveCorp has with livestock exporters sharpens the focus on meeting their needs and expectations. This is brought to the fore when LiveCorp is at the coal face supporting an exporter with a problem with their shipment or in more formal reporting settings like Annual General Meetings.

But more than this, outcomes from LiveCorp's monitoring and evaluation framework informs future planning and prioritisation through identifying what is working (and what is not), as well as what areas require further attention and new approaches. This information is used to inform the design of future projects and – consistent with good governance – ensure levy funds are directed to their highest value use.

The framework provides for systematically capturing input from industry and providing an evidence base on which LiveCorp can balance short and long term strategic, basic, applied, capability building and adoption projects. LiveCorp needs to continually balance the demands for a more immediate return to meet commercial needs of levy payers with the longer term program of work needed to underpin the sustainability of the industry.

Through establishing clear roles and responsibilities between LiveCorp and MLA through the LEP, the LiveCorp Board is able to set out clearly what it expects MLA to achieve from the funds from livestock exporters. MLA remains primarily responsible for delivering the LEP and for reporting on outcomes. There is an expectation that MLA demonstrate how the LEP is delivering for livestock

exporters. For the RD&E activities under the LEP, MLA also has accountabilities to the Australian Government to demonstrate that management of the program is delivering outcomes.

In addition to its performance measurement at a corporate level, LiveCorp has in the past commissioned independent benefit–cost assessments of projects and of contributions to the livestock export industry performance more broadly. For example, in 2010 the Centre for International Economics was commissioned to apply a comprehensive evaluation framework to the LEP. The evaluation framework is based on the Department of Finance framework for accountability. These economic consultancies will be considered again by Livecorp, but costs of undertaking them mean that it is only in the interests of levy payers to do this work periodically.

In recognition of the importance of evaluation, LiveCorp supports the work through the Council of Rural RDCs to improve and standardise evaluation methodologies. LiveCorp is both an enthusiastic participant in the cross-RDC evaluation activities of the Council and draws on the Council's methodology and learnings in the design of LiveCorp's own frameworks. LiveCorp makes improvements to the evaluation framework a normal part of business improvement to ensure assessments of performance are as effective and reliable as possible.

Performance measurement and management is an area for ongoing improvement. It is difficult to accurately attribute LiveCorp's activities into outcomes at an industry scale, especially for projects with a large social benefit such as animal welfare improvements. This often requires a case study approach to assessing impact. It has been estimated that LiveCorp has delivered return for the industry of almost \$15 for every \$1 of investment. It has also been concluded that the risk of disruptions to the trade from regulatory intervention has been significantly reduced through the efforts of LiveCorp.

ATTACHMENT A

BENEFITS OF THE LIVESTOCK EXPORT TRADE

Australia is ideally placed to respond to the demands for livestock globally

The livestock export trade from Australia is essential for Australia and importing countries and plays to the natural advantages of both.

Australia first became a significant livestock exporter in the 1970s when large scale live sheep exports to the Middle East commenced. Although cattle had been exported for decades, the trade started to grow strongly from the 1980s. Over the past decade the trade has ebbed and flowed based on a range of factors, including drought, currency fluctuations and market access restrictions. Markets for Australia's livestock exports are predominantly in South East Asia, the Middle East and North Africa.

Over 100 nations from all parts of the globe are involved in the trade of live stock across international borders. Australia is the second largest exporter of live sheep and fifth largest exporter of live cattle. The Food and Agriculture Organisation of the United Nations estimates the global livestock export trade has grown from around 15 million head in 1961 to almost 70 million head in 2010. Australia competes against the likes of Brazil, Canada, France and several African nations. Australia is responsible for less than 10 per cent of world cattle exports, exporting to around 22 countries.

In 2013, Australia exported over 850,000 head of cattle valued at \$755 million. Seventy per cent of Australia's cattle exports went to South East Asia including Indonesia, Vietnam, Malaysia and the Philippines. Indonesia is the largest market for Australian cattle exports, valued at \$308 million and this is expected to continue to grow. Almost 2 million head of sheep were exported in 2013, valued at \$172 million. Most of Australia's sheep exports are to the Middle East (98 per cent in 2013). Australia also exports goats, almost exclusively by air, with over 75,000 head exported to the value of \$8 million.

Australia has a unique capacity to supply the very livestock that are demanded by export markets. This unique capacity includes the relatively close proximity to markets in South East Asia and Australia's northern cattle production areas; tropical climatic conditions in the north to raise *Bos indicus* cattle that are ideally suited to markets in South East Asia; our historic surplus of sheep to satisfy Eastern MENA appetites; our freedom from major animal diseases such as foot and mouth disease; and our long standing commitment to animal welfare.

Many countries are heavily reliant on the importation of live animals for a range of reasons: to address food security; rising incomes have allowed the population to demand more protein; the preference of consumers to source freshly prepared meat from local wet markets; the access to cheap livestock feed and labour; and the guarantee it gives to consumers for freshness. In some cases Australia has a comparative advantage in providing animals ideal for finishing in off-shore feedlots. Australia is the main, or sole, source of imports for some countries and reliable trade is important to our international reputation.

If Australia ceased to supply livestock, it would not simply be replaced by chilled and frozen meat trade. While Australia has developed a significant trade in meat products, the lack of refrigeration and cold chain facilities, as well as strong cultural preferences for freshly slaughtered meat precludes Australia from servicing all of its export markets with processed meat products.

The benefits of the livestock export trade flow through regional Australia and underpin farm-gate returns for livestock

The livestock export industry continues to be an integral sales option for Australian livestock producers and an important contributor to the diversity and success of regional economies.

The livestock export industry is an important component of the Australian agricultural sector and contributes an average of \$1 billion in export earnings annually to the Australian economy. The industry employs 13,000 people, mainly in rural and regional Australia and provides significant employment opportunities to indigenous people across northern Australia.

The importance of the livestock export industry to regional communities is amplified in the north and west of Australia where production has shifted to meet the requirements of export markets for live animals. For many producers in these areas the industry is the only source of income and they supply the majority of live animals for export.

The livestock export industry value chain is complex and relatively long. Up to 30 separate business types, each generating additional value and employing people in both urban and regional Australia have been identified. The businesses that are involved in the industry are often specific to the live export industry, or generate the vast majority of their revenues from live export industry. It is often the foundation of a business which supplies other requirements in remote areas.

In 2011, the Centre for International Economics (CIE) completed an independent assessment of the value of the Australian livestock export industry. CIE analysed how the livestock industry output would change in the absence of the livestock export trade and the impacts this would have for producers, the entire livestock industry, and the communities that rely on it. CIE showed that the livestock export trade significantly increases prices to producers and that in the absence of the trade prices would be 4 per cent lower for cattle; 7.6 per cent lower for lambs and 17.6 per cent lower for older sheep and farm level income would drop by \$47 million in the cattle industry and \$64 million in the sheep industry.

While the impacts modelled by CIE on prices at saleyards for both cattle and sheep represent a national average, it is acknowledged that the impact would be most acute in regions directly reliant on the trade. For example, in March 2014 the CIE completed a more targeted assessment to look at the impact of the live export of sheep on woolgrowers. This showed that in the absence of the trade, saleyard prices would be 4.5 per cent lower for lambs and 24.2 per cent lower for older sheep. This assessment showed that the absence of the live export trade would have a particular impact on Western Australian wool producers:

- state wool production would fall by 12 per cent
- the farm value of production would fall by \$302.3 million (based on 2012 production levels)
- the price paid by processors would default to the price, less transport costs of \$25-\$30 per head
- saleyard prices could fall by as much as 35 per cent for lambs and 66 per cent for older sheep

The closure of the Saudi Arabian market for live sheep in 2003 was reported in the Keniry Review as having caused an immediate 50 per cent reduction of wether prices in Western Australia. Impacts on cattle producers in northern Australia from the temporary suspension of trade to Indonesia were also significant.

AUSTRALIAN LIVE CATTLE EXPORTS

Australian live cattle exports - volume and FOB ('000) value by key markets						
Country	2008	2009	2010	2011	2012	2013
Egypt	0	0	56,441	14,589	32,800	0
	\$0	\$0	\$48,197	\$12,268	\$24,475	\$0
Indonesia	644,849	772,868	521,002	413,726	278,767	454,152
	\$410,179	\$479,486	\$319,343	\$275,371	\$188,913	\$308,290
Israel	51,721	36,901	43,212	53,925	50,087	98,320
	\$30,166	\$20,676	\$28,323	\$40,124	\$38,485	\$72,824
Vietnam		128	1,427	1,276	3,353	66,951
		\$468	\$1,829	\$1,277	\$3,071	\$54,484
China	12,767	32,798	57,418	53,570	55,912	66,573
	\$25,332	\$70,626	\$114,413	\$118,121	\$123,167	\$138,928
Malaysia	20,263	13,651	17,084	12,287	32,781	47,620
	\$16,010	\$10,142	\$11,715	\$10,350	\$23,742	\$29,543
Russia	20,071	2,437	12,538	30,568	38,977	34,584
	\$53,116	\$8,833	\$27,785	\$56,594	\$86,691	\$54,666
Philippines	10,791	12,860	16,244	21,708	32,268	19,412
	\$7,514	\$7,529	\$8,786	\$14,095	\$21,205	\$12,127
Japan	19,770	16,039	15,041	14,216	11,281	13,639
	\$17,418	\$13,911	\$17,899	\$19,501	\$15,966	\$19,878
Jordan	830	27,578	19,257	600		11,900
	\$457	\$14,586	\$10,153	\$1,398		\$7,150
Pakistan	4,088	1,704	2,284	2,676	5,156	11,069
	\$9,293	\$3,430	\$5,199	\$6,862	\$15,032	\$24,744
Other	83,360	37,179	169,409	90,244	110,836	26,703
	\$68,493	\$36,782	\$139,082	\$85,504	\$89,859	\$32,390
Total cattle	868,510	954,143	874,916	694,796	619,418	850,923
Total FOB value ('000)	\$637,977	\$666,469	\$684,526	\$629,196	\$606,131	\$755,024

AUSTRALIAN LIVE SHEEP EXPORTS

Australian live sheep exports - volume and FOB ('000) value by key markets						
Country	2008	2009	2010	2011	2012	2013
Bahrain	716,040	747,827	498,731	344,450	249,741	0
	\$55,591	\$66,359	\$53,625	\$48,541	\$33,366	\$0
Kuwait	956,276	948,271	1,076,455	956,642	706,644	876,004
	\$67,663	\$77,993	\$112,055	\$123,246	\$78,934	\$69,251
Qatar	269,116	352,695	321,415	395,752	531,894	560,762
	\$26,613	\$41,223	\$40,857	\$56,640	\$76,756	\$49,738
Jordan	383,943	470,511	265,986	217,067	327,960	287,792
	\$26,000	\$38,377	\$27,901	\$27,763	\$35,351	\$26,642
UAE	175,629	130,312	78,747	37,385	33,211	99,795
	\$12,052	\$10,850	\$8,722	\$5,328	\$3,976	\$8,770
Oman	741,106	289,223	69,073	41,025	19,892	58,476
	\$56,987	\$26,672	\$8,296	\$5,822	\$2,023	\$4,737
Israel	36,834	23,400	42,000	56,600	64,007	54,164
	\$2,360	\$1,951	\$4,686	\$6,753	\$6,973	\$4,860
Malaysia	26,128	20,588	19,000	15,903	18,864	27,969
	\$2,375	\$2,596	\$2,719	\$2,604	\$3,485	\$3,118
Singapore	8,761	7,637	7,401	6,399	3,933	4,772
	\$736	\$1,471	\$1,339	\$1,300	\$829	\$990
China		12				3,517
		\$58				\$3,779
Other markets	1,617,196	1,324,960	1,088,494	731,175	572,211	167
	\$126,371	\$121,770	\$115,953	\$98,647	\$71,421	\$231
Total sheep	4,214,989	3,567,609	2,968,571	2,457,948	2,278,616	1,973,418
Total FOB value ('000)	\$321,158	\$322,961	\$322,527	\$328,103	\$279,749	\$172,115

AUSTRALIAN LIVE GOAT EXPORTS

Australian live goat exports - volume and FOB ('000) value by key markets						
Country	2008	2009	2010	2011	2012	2013
Malaysia	67,705	89,138	64,075	54,332	59,107	55,398
	\$7,746	\$10,516	\$8,441	\$7,008	\$7,614	\$6,111
Singapore	3,389	6,894	8,833	7,996	1,896	16,778
	\$307	\$690	\$642	\$957	\$144	\$1,540
Brunei	5,345	1,161	1,694	610	635	1,777
	\$628	\$147	\$258	\$115	\$62	\$299
UAE		66				990
		\$38				\$285
Thailand	151		341			50
	\$164		\$421			\$66
Other	3,173	362	2,471	325	242	
	\$346	\$101	\$584	\$328	\$294	
Total goats	79,763	97,621	77,414	63,263	61,880	75,107
Total FOB value ('000)	\$9,190	\$11,491	\$10,346	\$8,408	\$8,114	\$8,373