



Australian Meat Processor Corporation Ltd

SUBMISSION

November 2014

To the Senate Standing Committee on Rural and Regional Affairs and
Transport References

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

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1. Background

1.1 The Role of the Australian Meat Processor Corporation

The Australian Meat Processor Corporation (AMPC) is a Rural Research and Development Corporation that supports the red meat processing industry throughout Australia. AMPC's mandate is to provide research, development, extension and marketing services that improve industry sustainability and efficiency. These services deliver outcomes and benefits for both Australian red meat processing and the broader Australian community. AMPC has 124 members operating in 150 meat processing establishments and represents over 97 per cent of Australia's red meat processing capacity.

AMPC administers statutory levies on behalf of industry as detailed in the *Statutory Funding Agreement 2011-15 (SFA)* with the Commonwealth. The inter-relationship of AMPC with other industry bodies is described in the *Red Meat Industry Memorandum of Understanding 1998 (MOU)*. The MOU incorporates the definition of agreed organisation roles and responsibilities; funding, planning and service delivery arrangements and the Meat Industry Strategic Plan (MISP). Within that framework AMPC has a primary role in maximizing the long-term viability and sustainability of the red meat processing sector by providing innovative outcomes that:

- improve efficiency and competitiveness
- enhance sustainability of the sector
- assist in protecting and securing market access
- enhance capability and innovative capacity
- increase overall productivity and performance.

There are three key programs within which AMPC invests – the **Joint Program**, the **Core Program** and the **Plant Initiated Projects (PIPs) Program**.

The **Core Program** is the main RD&E program within the red meat processing sector. It is administered and delivered by AMPC and is supported by an industry-wide consultation process. This program addresses key issues facing the entire red meat processing chain in terms of productivity, profitability, sustainability and capability.

AMPC supports projects in a range of core program areas including:

- Technology and Processing
- Environment and Sustainability
- Food Safety, Product Integrity and Meat Science
- Implementation, Extension and Education
- Industry Improvement and Economic Analysis



A summary of these programs and their associated streams are provided in the Appendix.

The **Joint Program** is collaboratively funded between AMPC and Meat & Livestock Australia (MLA) using both producer and processor levies and matching Australian Government Research, Development and Extension (RD&E) funds. The Joint Program generates supply and value chain outcomes which support food safety, product integrity and increased market demand for meat and meat products. In collaboration with the peak industry councils and MLA, AMPC contributes to developments across the red meat industry supply chain and the establishment of targets and KPIs for joint activities.

The **Plant Initiated Projects (PIPs) Program** is a mechanism for leveraging additional private investment directly into industry RD&E programs. This program enables processors to identify and undertake RD&E projects on plant that can deliver benefits to the whole of the red meat processing sector. It enables the transition and adaptation of new technologies into operating plants under real world conditions.

1.2 About the Australian Meat Processing Industry

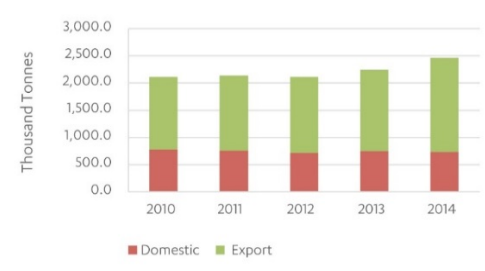
The red meat processing sector is a significant part of the Australian economy and makes a substantial contribution to the nation's wealth and exports. When flow-on effects are taken into consideration, the industry contributes over \$16 billion in gross domestic product or around 1.1% of total GDP. It underpins around 140,000 full-time equivalent jobs across all sectors of the economy.

As the charts overleaf demonstrate, in 2013-14 there was a substantial growth in the number animals processed in Australia. In the year ended Jun 2014, 9.4 million cattle and calves were slaughtered nationally producing 2.5 million tonnes carcass weight of beef and veal. This compares to 2012 when 2.1 million tonnes were produced. For lamb and mutton the story is much the same. In 2014, 31 million sheep and lambs were slaughtered nationally producing 700,000 tonnes of mutton and lamb. Comparable figures for 2012 were 539,000 tonnes. It is unlikely that this will continue into the medium term and as such any erosion in volume and/or margin will clearly impact profitability. In this environment innovation will be a key to industry sustainability and prosperity.

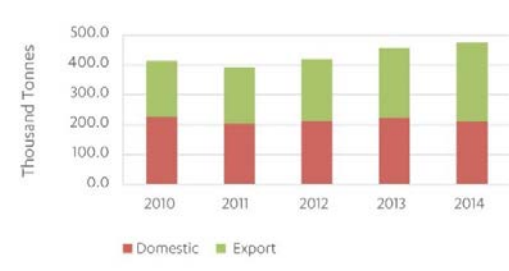


The charts below for beef/veal and lamb show the recent strength of demand in export markets.

Livestock Production – Beef and Veal



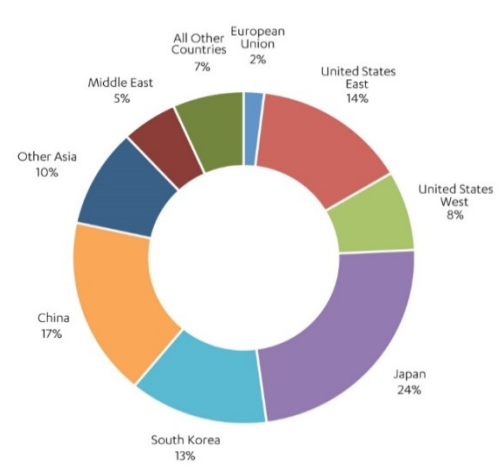
Livestock Production – Lamb



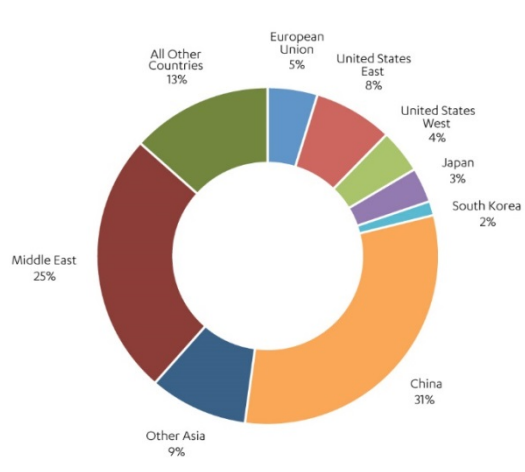
Source: Australian Bureau of Statistics (ABS)

The charts below show the primary export destinations for both beef and sheepmeat in 2013-14.

Exports Countries – Beef



Exports Countries – Sheep



Source: Australian Bureau of Agricultural and Resource Economics & Sciences (ABARES)

Australian meat processors operate complex businesses in an environment characterised by highly variable inputs and market conditions. Emerging challenges include labour and skill shortages, the high cost of production relative to global competitors, climate change and an increasing regulatory burden. In the face of these challenges, it is essential to deliver innovative tools, products, processes and manufacturing technologies that provide world leading meat processing efficiencies and value capture.

As global competition increases and trade barriers proliferate, it is important for the Australian industry to differentiate and market its offerings on the basis of superior value, product quality, product integrity, safety and wholesomeness. These attributes can only be delivered through an innovation capability that is built on sound and effective research programs and research management structures. AMPC provides those programs and structures for the red meat processing sector.



2. Response to Inquiry Terms of Reference

This section addresses the Committee’s terms of reference that are considered to be the most relevant to the operations of AMPC. Those of a more general nature will be dealt with separately in a related submission from the Council of Rural, Research and Development Corporations (CRRDCs).

2.1 Basis upon which levies are imposed, collected and used

The red meat slaughter levies are defined under the *Australian Meat and Livestock Industry Act 1997* which defines the amounts paid to the meat processor *marketing body* (64C) and the meat processor *research body* (64D).

Levies on beef and livestock (cattle, bobby calf, sheep, lambs and goats) slaughter are payable by processors for each animal slaughtered at an abattoir for human consumption. The *Primary Industries Levies and Charges Collection Act 1991*, gives the Department of Agriculture – Levies Revenue Service an authorisation to collect the levies from processors. All collected levies are then forwarded onto AMPC.

The current rates of levies are listed under Schedule 1 and 17 of the *Primary Industries (Excise) Levies Act 1999* and its regulations as summarised in Table 1 below.

Table1: Slaughter Levy Rate effective 1 September 2007

	R&D \$	Marketing \$	Total \$
Beef (per kg)	0.004	0.002	0.006
Sheep (per head)	0.09	0.06	0.15
Lamb (per head)	0.09	0.07	0.16
Goat (per head)	0.07	0.03	0.10

As outlined above, red meat processor levies are strategically invested in research, development, extension and marketing programs. Core program investments are guided by inputs from members through transparent and accountable processes based on Program Advisory Committees (PACs) and other stakeholder consultation mechanisms. Dialogue with members is an ongoing process facilitated by direct engagement in a series of face to face AMPC Network Meetings and Training Events that are regularly held throughout Australia. This is reinforced with visits to processor facilities and communications through the AMPC website, www.ampc.com.au. There is a substantial degree of interaction and consultation between the red meat processing peak industry body, the Australian Meat Industry Council (AMIC) and AMPC.

AMPC invests levies in the Joint program with Meat and Livestock Australia (MLA) for those activities that impact the whole of the supply chain. This program includes investments in market access, domestic marketing and science/regulatory activities associated with the maintenance of

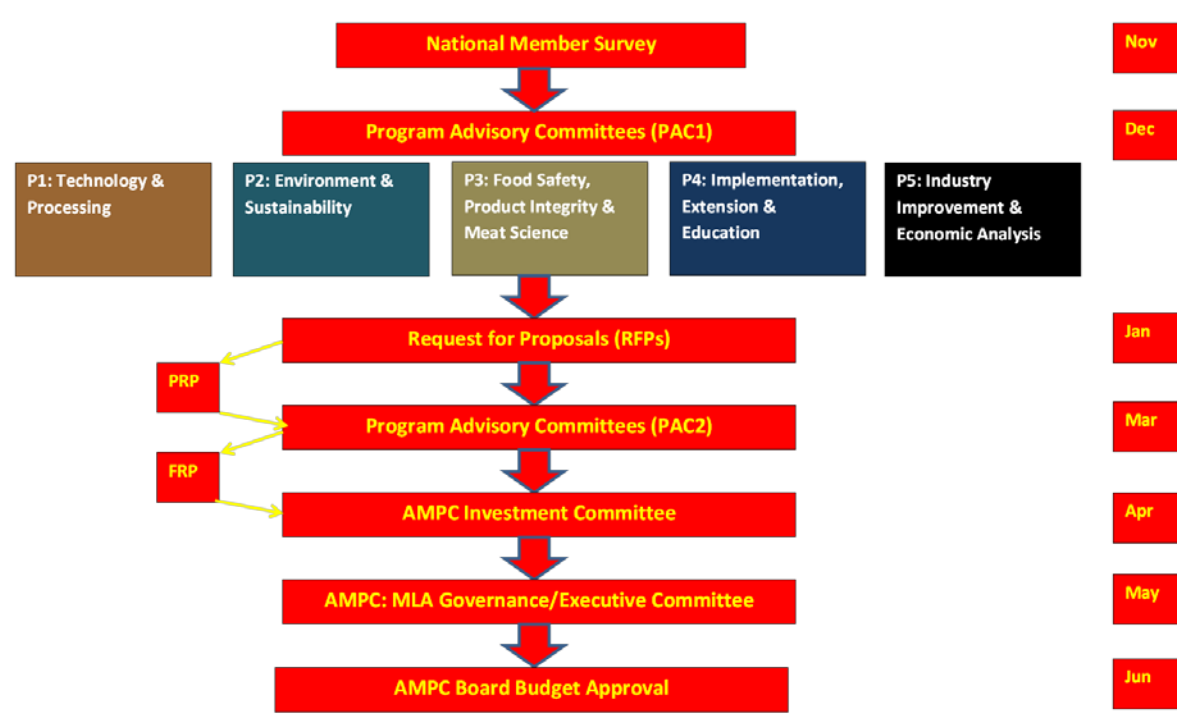


food safety and product integrity. Investments in the Plant Initiated Projects Program (PIP) utilise a proportion of levy funds for projects in which members act as lead users for industry to demonstrate technical viability in a commercial setting. Investments in this program are principally managed by MLA through their Collaborative Innovation Strategy (CIS) Program.

2.2 Opportunities for levy payers to influence the investment of levies

AMPC operates a transparent process that allows for member input into the composition of the core processing program. For each of the five core programs there is an associated program advisory committee. Core programs and their associated streams are shown in the Appendix. Each Program Advisory Committee (PAC) is composed of approximately ten representatives from member companies. PAC members are nominated and selected based on their skill set for the particular committee in question. The PAC is chaired by an AMPC Board Member and facilitated by an AMPC Program Manager.

The process of defining the program portfolio for levy investment in the following financial year begins in November with the circulation of the AMPC National Member Survey. This provides a high level view of where the membership believes the priorities are for the utilisation of levies. For the core program, that information is used to inform the AMPC Portfolio Development Process which begins with the first PAC meeting in December as shown in the diagram below.



The PAC1 meeting involves both PAC members and invited experts who provide advice on industry issues and context with regard to potential areas for investment. Representatives from AMIC, MLA and other key stakeholders are invited. The outcome from PAC1 is a Request for Proposals (RFP) which is circulated in January to all potential providers and is made publicly available on the AMPC website. In February and early March, Preliminary Research Proposals



(PRPs) are received from providers in response to the RFP. These are reviewed, assessed and prioritised by members in PAC2. Recommendations are made in PAC2 for PRPs that should proceed to a Full Research Proposal (FRP) and evaluation by the AMPC Investment Committee. The AMPC Investment Committee consists of the PAC Chairs and AMPC management. Recommendations from the Investment Committee are approved by two AMPC: MLA Committees to ensure no duplication or replication of activities and to determine whether RD&E projects are eligible for matching government funding. In June the AMPC Board approves the budget for the following financial year. The AMPC Portfolio Development Process provides for substantial member engagement in the determination of where member levies are spent within the core program.

In addition to the abovementioned process, AMPC invests in an active and effective member and stakeholder engagement and extension program. A series of Industry Network and Training Workshops are held throughout Australia in a partnership with the National Meat Industry Training Advisory Council (MINTRAC). Approximately forty network and extension events are held annually. These events together with visits to individual processor establishments by AMPC are another key mechanism through which AMPC solicits information as to where levies should be spent.

Finally and in accordance with the MOU, AMPC engages on a regular and consistent basis with AMIC. Through representation of industry members on both the AMPC Board and the Processing Committee of AMIC, there is strong alignment in the interests of members with the investment of levies. The AMPC Board itself has strong member representation across both company size and species.

2.3 Opportunities for levy payers to approve and re-approve the imposition of levies

All red meat processor levy payers are eligible for membership of AMPC, which is itself free of charge. As a member, levy payers have the opportunity to participate in the election of AMPC Directors. Elections are conducted by the Australian Electoral Commission every second year, as per the AMPC Constitution. The AMPC Board consists of seven Processor Directors and two Special Qualification directors. The seven Processor Directors represent companies that process over 75% of Australia's beef and livestock each year.

Through AMIC, the AMPC Board along with any other levy paying member can request an amendment to levy rates, where that is deemed appropriate and consistent with AMPC's strategic plan. AMPC members can also request an increase in the levy rate. This request is tabled as an Agenda Item at the Annual General Meeting and all members are given the opportunity to vote on the proposal. Any industry supported recommendation will then be submitted to the Department of Agriculture. Upon the Minister's agreement, the levy increase will be adopted and the *Primary Industries (Excise) Levies Act 1999* and/or its associated regulations will be amended accordingly.

2.4 Collaboration on research to benefit multiple industry and research sectors

AMPC collaborates with stakeholders and research providers across a range of initiatives. Within



the red meat processing industry itself, AMPC works with MLA in the MLA managed Joint program and provides available funds to the MLA managed CIS program. Collaboration in the Joint program includes whole of supply chain areas such as market access, domestic marketing and food safety/product integrity research. There are other examples as shown below where AMPC has and will continue to obtain synergies and leverage with other organisations.

Climate Change Research Strategy for Primary Industries (CCRSPI)

The Climate Change Research Strategy for Primary Industries (CCRSPI) is a collaborative response to the opportunities and challenges posed by climate change for Australia's primary industries. CCRSPI's objectives are to:

- Develop a revised national cross-sectoral strategy to drive primary industries research, development and extension (RD&E)
- Maximise efficient and effective use of resources to address the revised strategy through greater communication, coordination and collaboration between primary industry RD&E agencies and existing initiatives, and by identifying research gaps and opportunities.
- Represent the primary industry RDE community's needs, activities, outputs and outcomes to governments, industry and the broader community.
- Provide a national communications hub for primary industry RDE-related information and knowledge.
- Provide leadership for the primary industry RD&E community.

National Animal Welfare RD&E Strategy

AMPC is the founding member of the National Primary Industries Animal Welfare Research, Development and Extension (RD&E) Strategy, which is a component of the National Primary Industries RD&E Framework, an initiative of the Primary Industries Ministerial Council (PIMC).

The purpose of the National Animal Welfare RD&E Strategy is to develop national arrangements to deliver strong collaboration amongst RD&E provider groups, and effective partnerships between investors and providers.

The Strategy is directed by the Animal Welfare RD&E Committee, comprising livestock industry RDC's, major RD&E providers and Government. The Strategy will deliver animal welfare research, development and extension programs in the primary industries sector which are nationally significant, high priority and cross-sectoral in application.

Primary Industries Health and Safety Partnership (PIHSP)

The Primary Industries Health and Safety Partnership (PIHSP) is a collaboration consisting of the Red Meat, Cotton, Fisheries, Grains, Sugar and Rural Industries Research and Development Corporations.

The purpose of the program is to deliver healthy, safe and productive working lives in primary industries through investments in RD&E that drive sustainable improvements in work health and



safety (WHS) outcomes.

The partnership has been operating for over 17 years. Over that period, it has produced a significant body of knowledge regarding work health and safety issues within primary industries.

Sheep CRC (Cooperation Research Centre for Sheep Industry Innovation)

The Cooperative Research Centre for Sheep Industry Innovation (Sheep CRC) was established to undertake a program of innovation for the Australian sheep industry. The role of the CRC is to facilitate transformation of the sheep industry by making sheep easier to manage, developing production and processing technologies to meet increasing consumer expectations, and increasing the uptake of new technologies by industry.

The objectives of the CRC are set out in Agreements between the CRC and the Commonwealth and between CRC Participants, which include AMPC, MLA and 36 other organisations that cover the full length of the sheep supply chain.

The CRC objectives were established through extensive consultation with industry and with reference to the National Research Priorities. The agreed outcomes and outputs are consistent with the capabilities and interests of CRC Participants and closely match the National Research Priorities. The priority to develop frontier technologies for building and transforming Australian industries is closely aligned with the goals of the CRC.

2.5 Industry governance arrangements, consultation and reporting frameworks

Industry governance arrangements and reporting framework

AMPC recognises the value of strong corporate governance. As a Corporation responsible for the investment of statutory levies, AMPC demonstrates the required level of corporate planning and reporting.

The Board of AMPC is responsible, with the management of the company, for corporate governance practice and constantly updates its policies and procedures based on both independent advice and its own initiatives. The table below provides an outline of AMPC's corporate governance framework.

Framework component	Requirement to be addressed by AMPC
Enabling legislation	AMPC was declared by the Minister to be the Meat Processor Marketing and Research body under Section 60 (3AA) and 60 (3AB) of the <i>Australian Meat and Livestock Industry Act 1997 (Cth) (Act)</i> in 2007 and entered into an Agreement with the Commonwealth specifying timing, manner and conditions in relation to the payment of Levy funds to those Bodies.
Governance legislation	A Deed of Agreement (Statutory Funding Agreement) between the Commonwealth and AMPC has been established in relation to certain arrangements under the Act including RD&E delivery and reporting responsibilities.



Financial control	AMPC maintains accounts and records of transactions in accordance with the Australian Accounting Standards, and with other legislative requirements under the <i>Corporations Act</i> .
Audit process	Independent internal and external audits are conducted to review and assess the Company's financials, risk, fraud, quality of internal financial and governance processes and policies, as well as documented evidence in complying with the requirements of the Company's articles.
Fraud and risk management	The AMPC fraud and risk management framework includes processes for project, program and portfolio level risk management, general compliance and operational risk management and financial risk management together with prudential guidelines for business ventures. AMPC aligns these processes with Meat and Livestock Australia, who oversee processes for the approval and the delivery of RD&E activities.
Monitoring performance	AMPC monitors, measures and evaluates its performance to continually improve its effectiveness and efficiency. AMPC co-invests in a range of evaluation programs with its collaborative partner, Meat and Livestock Australia to ensure that RDC investment requirements are met and validated on behalf of industry and Government.
Reporting to stakeholders	AMPC reports regularly to stakeholders, including through formal reporting to the Australian Government, regular updates to processor councils via AMIC, direct reporting to AMPC members, and the publication of annual reports, RD&E case studies, fact sheets and final research reports, as well as participation in conferences, workshops and other extension activities.
Planning and reporting	<p>AMPC's corporate planning and reporting approach includes:</p> <ul style="list-style-type: none"> • A Strategic Plan that sets out the Company's high-level goals, strategies and performance measures for a five-year period, developed in consultation with stakeholders and approved by Government. • An Annual Operational Plan that outlines the annual budget, resources and research priorities that give effect to the Strategic Plan during a given financial year. The AOP provides AMPC with the opportunity, in consultation with the AMPC Board, Meat and Livestock Australia, AMIC and Government, to respond to external drivers and changing priorities during the life of the Strategic Plan by providing revised emphases on research themes • A Portfolio Budget Statement – as part of the Australian Government budget process – that summarises the planned outputs, outcomes, performance information and financial statements for a given financial year, and • An Annual Report that provides information on RD&E activities and their performance in relation to the goals set in the Annual Operational Plan and Portfolio Budget Statement for a given financial year.



Consultation framework

AMPC is committed to working with its stakeholders to achieve an efficient application of levy funds through its RD&E and marketing activities. This is enhanced by leveraging AMPC's investments through co-investment and collaboration.

AMPC engages with the Australian Government, its processor membership base, MLA and other bodies in the red meat industry. These collaborations ensure that processor levy funds are appropriately and effectively invested to deliver maximum impact. Consultation includes participation in the development of the Meat Industry Strategic Plan (MISP) through the Red Meat Advisory Council (RMAC) as defined in the MOU.

An important component of AMPC's expenditure involves co-investment with MLA into Joint Program activities. This partnership enhances service provision to the industry and the entire supply chain, whilst avoiding the duplication of capability and resources.

AMPC works closely with AMIC, the peak industry council and advisory body for the red meat processing industry. This relationship ensures that needs and issues identified by AMIC's processing members are considered in research, development and extension activities.

AMPC has an ongoing partnership with the Meat Industry Training and Advisory Council (MINTRAC). MINTRAC enhances the scope of AMPC's extension and consultation capabilities. Extension activities are critical to the effective uptake of RD&E investments within the industry, and AMPC and MINTRAC have a strong track record of ensuring outcomes from AMPC projects are utilised by processors.

AMPC will continue to develop strategic partnerships and alliances and consult with other organisations that have complimentary capabilities and service delivery assets. These organisations include Universities, government agencies, RDCs, research institutes, CSIRO, CRCs and other industry providers, both in Australia and internationally.

There are numerous existing collaborations at the project, program and organisational level that extend across state, national and international boundaries. For further information regarding partnerships between AMPC and other organisations, please refer to the AMPC website, www.ampc.com.au.

3. Appendix: AMPC Program Structure

The chart overleaf provides a summary of the AMPC Core program structure in terms of the key focus area for each program, the streams that comprise each program and some examples of project activities by program.

AMPC PROGRAM STRUCTURE

