

Levy Case Studies

Meat & Livestock Australia

Case Study

- MLA is the RD&E Corporation supporting 50,000 cattle, sheep and goat producers, and 135 abattoir processors
- MLA covers 6 sectors –grass fed cattle, lot fed cattle, sheep, goats, meat processors, live export
- Each sector has its own statutory RD&E levy (matched) and statutory marketing levy (unmatched)
- Australian is the world's largest red meat exporter. In 2014, 62% of MLA livestock product was exported - 1.6mmt of meat and 965,000 head. Total export value of \$8.5Bn.





Levy streams are large and efficient

2016-7 Levy Investment

		R,D&E	Marketing	TOTAL INVESTED	Marketing
Cattle - grass fed	• \$5 per head	\$1.34	\$3.66	\$67.6 mil.	\$29.3 mil.
Cattle – grain fed	• \$5 per head	\$1.92	\$3.08	\$12.7 mil.	\$3.2 mil.
Sheep & Lambs	• 2% of sale price	1.13%	0.87%	\$45.6 mil.	\$16.2 mil.
Goats	• \$0.38 per head	\$0.27	\$0.11	\$1.3 mil.	\$0.2 mil.
Meat Processors	• Cattle 0.6c/kg HSCW • Sheep 15c/head • Goats 10c/head	?	?	?	?
Live Export	• Cattle 1c/kg • Sheep 60c/head • Goats 50c/head	?	?	?	?



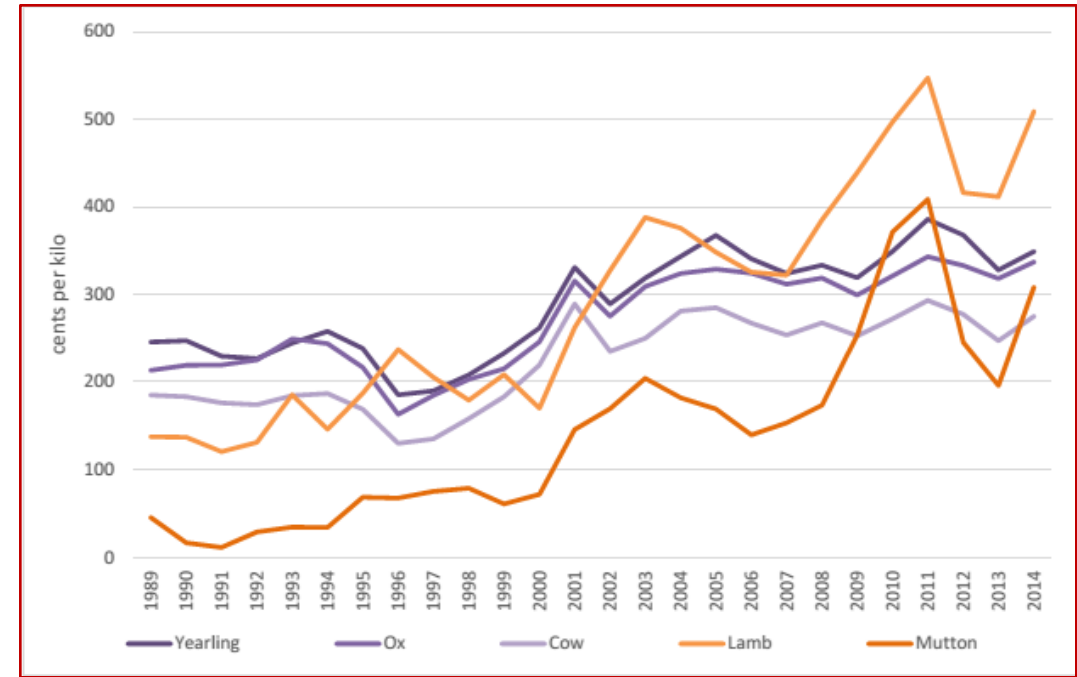
TABLE 5.6 SUMMARY OF MLA REVENUES AND EXPENDITURE, 2010-2015

CONTINUING OPERATIONS	2011 (\$000)	2012 (\$000)	2013 (\$000)	2014 (\$000)	2015 (\$000)	Avg. proportion of spending (Per cent 2011-15)
REVENUES FROM CONTINUING OPERATIONS	167,393	159,891	162,243	188,541	205,735	
EXPENDITURE FROM CONTINUING OPERATIONS						
Improving market access	20,731	23,053	23,183	23,990	25,832	13.5
Growing demand	64,755	65,061	61,070	61,551	57,047	35.9
Increasing productivity	20,371	24,669	36,451	39,068	36,219	18.1
Promoting integrity & sustainability	15,244	15,260	14,181	16,928	15,826	9.0
Increasing industry capability**	9,432	9,578				2.3
Communicating with stakeholders***	4,004	3,900	1,202	1,602	1,376	1.4
Other	551	550	550	550	550	0.3
R&D partnerships	20,826	17,458	18,201	25,966	30,000	12.9
Corporate costs	10,603	11,437	10,989	11,458	12,707	6.6
Total expenditure	166,517	170,966	165,827	181,113	179,557	100.0
NET SURPLUS FROM CONTINUING OPERATIONS	876	-11,075	-3,584	7,428	26,178	

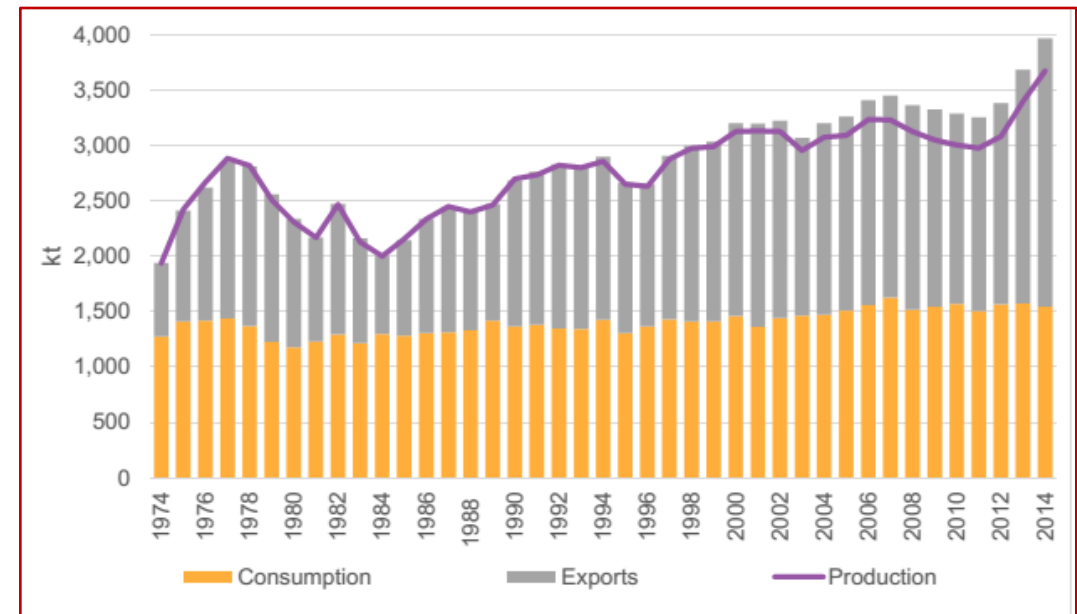
MLA spends 49% of levy funds on improving market access and increasing demand for meat.



Farm gate prices for livestock have been rising since the mid 1990s when levies were introduced.




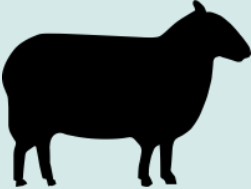

MLA product is increasingly for exports – 62% in 2014



Is the investment attractive?

“MLA’s \$997 million expenditure on R&D and marketing programs from 2010-11 to 2014-15 provides current and future industry returns of \$6,170 million.

This equates to a benefit cost ratio of 6.2:1, or \$6.20 return for every dollar invested.”

OVERALL impact on Farm Gate Prices			
2011-15	+ \$40 / head + 7 cents per \$ received	+ 3.92 / head + 6 cents per \$ received	+ 63 cents / head + 4 cents per \$ received
2016-30	+ \$56.70 / head + 10 cents per \$ received	+ 5.70 / head + 6 cents per \$ received	+ 1.50 / head + 8 cents per \$ received

MLA Market Program	Market Access	Live Export	Beef Export Markets	Sheep Meat Export Markets	Market Intelligence
Cost	• \$42m	• \$49m	• \$137m	• \$44m	\$40m
Benefit	• \$999m	• \$705m	• \$921m	• \$150m	\$315m
Gain per Levy \$ invested	• \$24	• \$14.50	• \$6.70	• \$3.40	\$7.90
Objectives	<ul style="list-style-type: none"> • Opens world markets for our red meat products. • Positions us as supplier of choice in minds of overseas customers • Builds Australia's integrity and safety systems 	<p>Assist exporters and supply chains to:</p> <ul style="list-style-type: none"> • Meet regulations • Improve animal welfare • Solve market access issues in Indonesia, Middle East, Malaysia, and Vietnam. 	<p>Grow demand for our beef in USA, Japan, Korea, Middle East, China, Indonesia</p> <ul style="list-style-type: none"> • Work with exporters to grow branded sales • In market presence to gain insights and build awareness 	<p>Grow demand for our mutton & lamb in Middle East, Japan, USA, Malaysia, Indonesia</p> <ul style="list-style-type: none"> • Work with exporters to grow branded sales • In market presence to gain insights and build awareness 	<p>Inform producer and chain decisions by:</p> <ul style="list-style-type: none"> • ensuring market info gaps are identified • info is collated, analysed and communicated in a timely, user friendly and readily accessible manner