

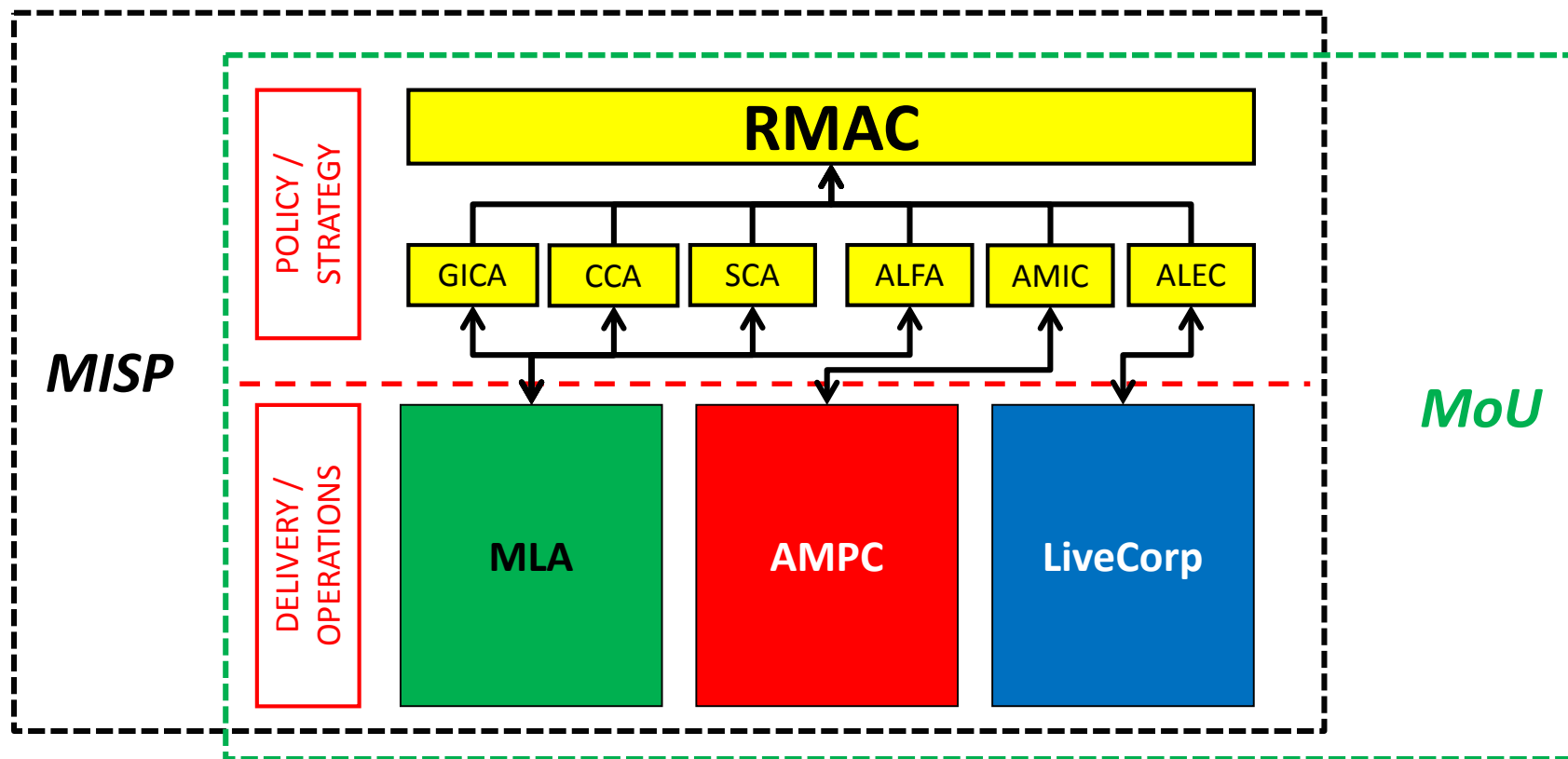


AGENDA

- Setting the Scene
- MISP 2020 development
 - How it was developed
 - Economic Modelling
- Benefit Cost Ratios (BCR)
 - Best place to spend
- The Next Steps
 - Let the numbers do the talking



RMAC IN THE INDUSTRY STRUCTURE



The Industry Landscape



The Red Meat & Livestock Industry

- Acclaimed contributor to the Australian community and economy
 - **Recognised** for its environmental credentials
 - **Respected** for its stewardship of livestock
 - **Rewarded** for its quality products

Our National Importance

- How important are we
 - Turnover of over \$20 Billion Dollars
 - Custodians of over 52% of Landmass
 - Biggest Employer in Regional Australia
 - Largest Trade Exposed Manufacturing Industry in the Country
 - 5th Biggest export earner (\$16b) in 2014/15

Employment

- Over 200,000 employed nationally
 - 53,200 in the meat processing sector
 - 76,800 in farm enterprises with cattle
 - 43,000 in farm enterprises with sheep
- Plus all the people employed with the service industries that support our sector
 - Transport, Agents, Contractors etc.

Global Significance

- Global Production
 - 2% Worlds Cattle, producing 4% Worlds Beef
 - 6% Worlds Sheep, producing 8% Worlds Meat
 - 0.5% of the Worlds Goat Meat
- In Export Terms
 - We are the Worlds Largest Exporter of all 3 Meats by value
 - Biggest Live Exporter by numbers as well

MEAT INDUSTRY STRATEGIC PLAN

A goal
Without a
P L A N
is just a
Wish...

THE FOURTH MEAT INDUSTRY STRATEGIC PLAN (MISP2020)



**A Paddock-to-Plate Strategy for Australia's
Red Meat and Livestock Industry**

Presentation to MINTRAC Conference, 6 April 2016

MEAT INDUSTRY STRATEGIC PLAN

- “The industry’s plan”
 - First initiated in 2001
- Overarching priorities for red meat and livestock industry
 - Production, processing, live export
 - Beef, sheepmeat, goat-meat
- \$20.0b annual turnover
 - >\$1b (over 5 years) in total industry investment



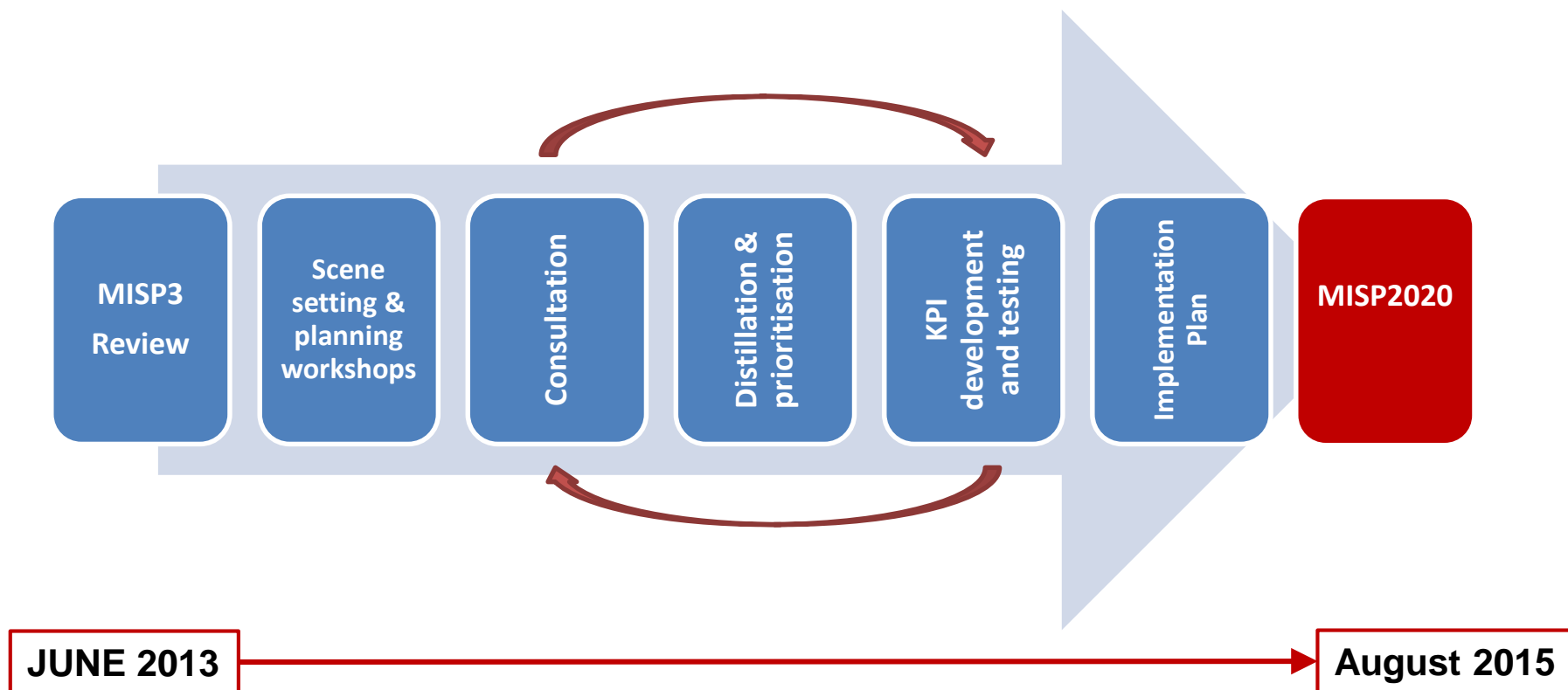
THE VIEW TO 2030 (1)

- Solid **growth in population and GDP**
 - 21% more people with 38% more per capita (real) GDP
 - \$US will appreciate against most currencies;
- But global **growth in meat consumption largely from pork and poultry**
- **Competitors** are on the move
 - US will almost match our beef exports
 - Brazil & India will each double our beef export volumes

THE VIEW TO 2030 (2)

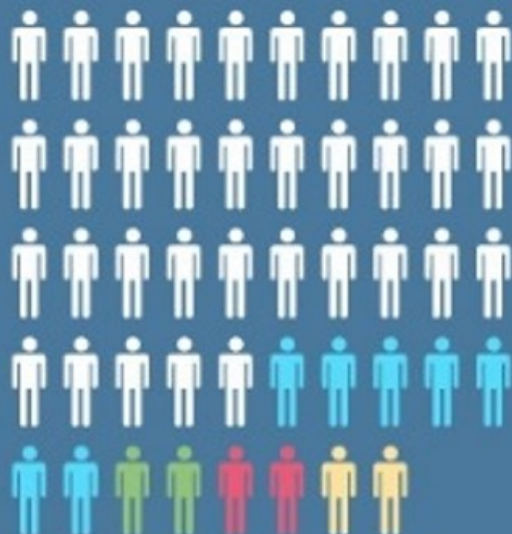
- Capitalising on **beef / cattle opportunities will be challenging:**
 - 2014 cattle herd (and production levels) unlikely to be rebuilt until 2030
- **Sheepmeat outlook** is promising
 - Moderation in NZ sheepmeat production (dairy conversions)
 - Growth in live export markets as flock numbers build

MISP4 DEVELOPMENT PROCESS



WHO WAS CONSULTED?

**410 PARTICIPANTS
AT 13 WORKSHOPS**



Producers

Processors

Live Exporters

Support Staff

Community Groups



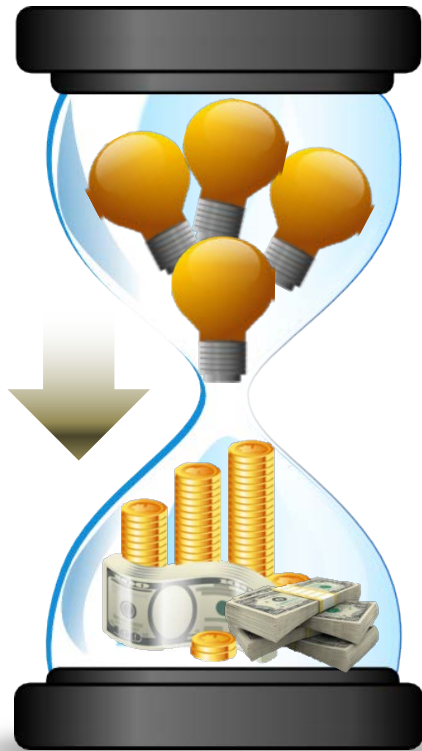
MISP4 FOCUS

- **Objectivity**
 - Outcome /output KPIs and associated reporting
- **Accountability**
 - Formal allocation of roles and responsibilities
- **Simplicity and clarity**
 - Fewer, larger program areas
 - Clearly-defined milestones and KPIs (agreed upfront)
- **Collaborative ownership and delivery**
 - Integrated with other relevant strategic frameworks
 - Concerted engagement with delivery partners

MISP4 DISTILLATION & MODELLING



MODELLING – PRINCIPLES & PROCESS



- Economic-based ranking
 - Impact at sector and industry level/s
 - Sensitivity under probable/possible scenarios
- Independent, peer-reviewed process
 - Purpose built for MISP-level analysis
 - Capable of modelling direct / indirect economic impacts
 - Overseen by technical specialists
- Outputs reviewed by industry

MODELLING TEAMS

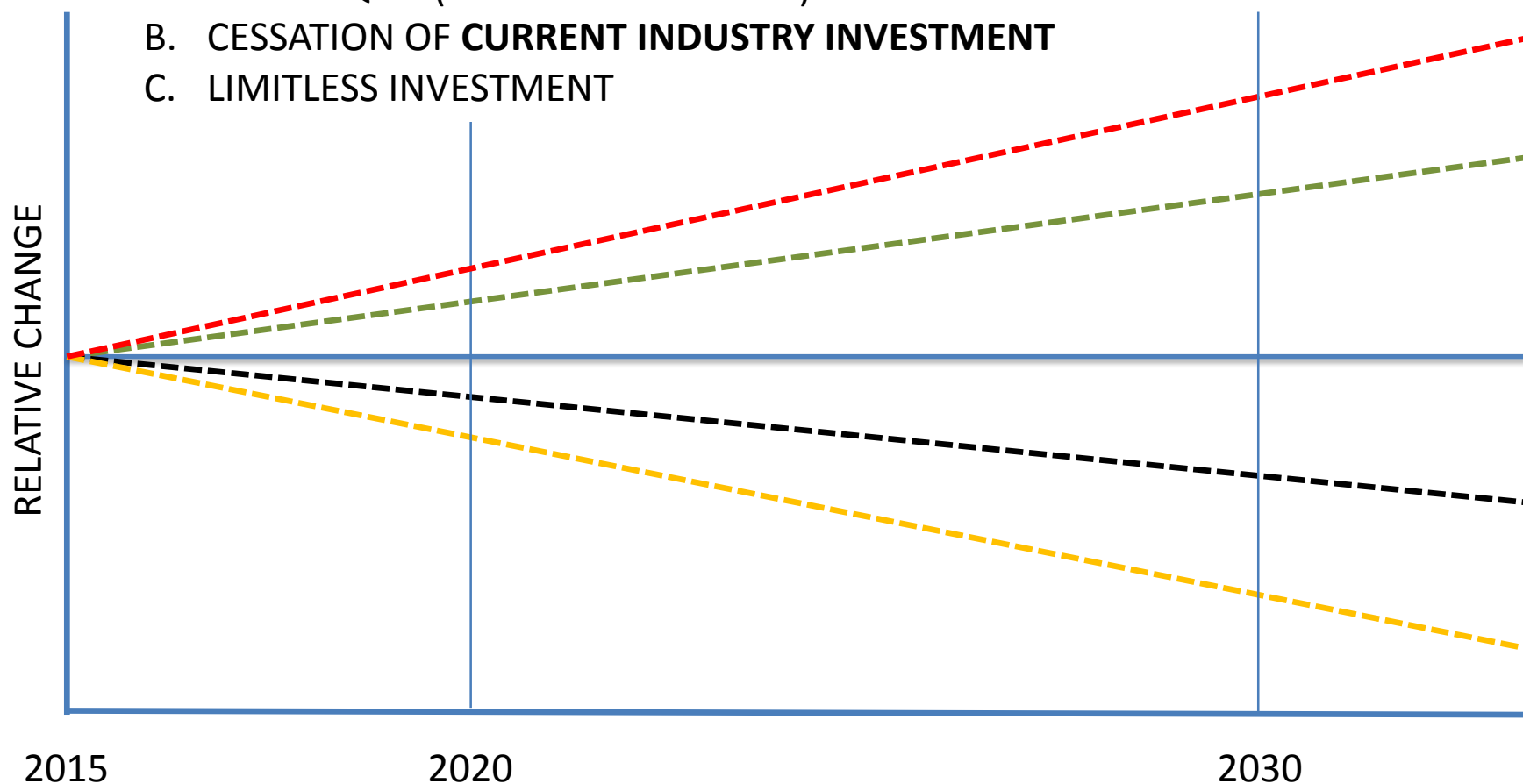
OVERVIEW

- 9 x workshops
 - >140 participants
 - Policy, RD&E, marketing, economics specialists
 - Industry, Service Companies, public and private sector
- Task
 1. Test and validate the proposed themes;
 2. Propose essential investment imperatives for each theme; and,
 3. Advise likely changes (to whole industry and/or individual sectors) resulting from these investments.

WHAT'S THE LIKELY TRAJECTORY?

WHAT IS THE LIKELY CHANGE IN SUPPLY, DEMAND AND/OR PRICE?

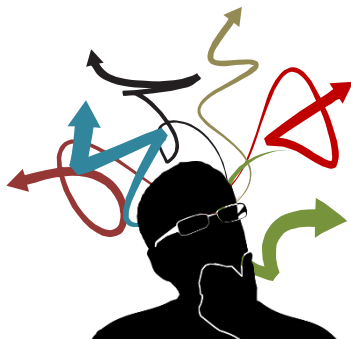
- A. STATUS QUO ("COUNTERFACTUAL")
- B. CESSATION OF **CURRENT INDUSTRY INVESTMENT**
- C. LIMITLESS INVESTMENT



Benefit Cost Ratios (BCR)

- Levies are collected by all sectors and 3 Industry service companies are responsible
- MLA – production sector
- Livecorp – Live Export sector
- AMPC – Meat Processing sector
 - Total of \$1 Billion including Government
- How much “BANG” for our “BUCK” = BCR
 - or “Best Place to Spend”

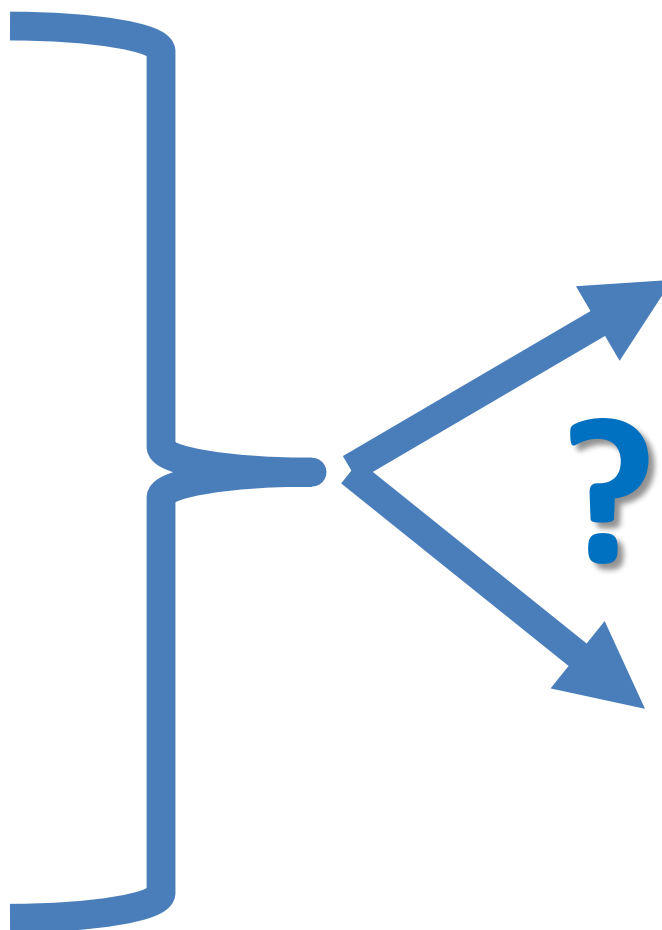
THE CHALLENGE...



CONSULTATION OUTPUTS



GUIDING/ EXISTING PRIORITIES



MISP 2020 The Way Forward



THE RED MEAT AND LIVESTOCK
INDUSTRY to 2020 and BEYOND

\$13 Billion Dollar Opportunity

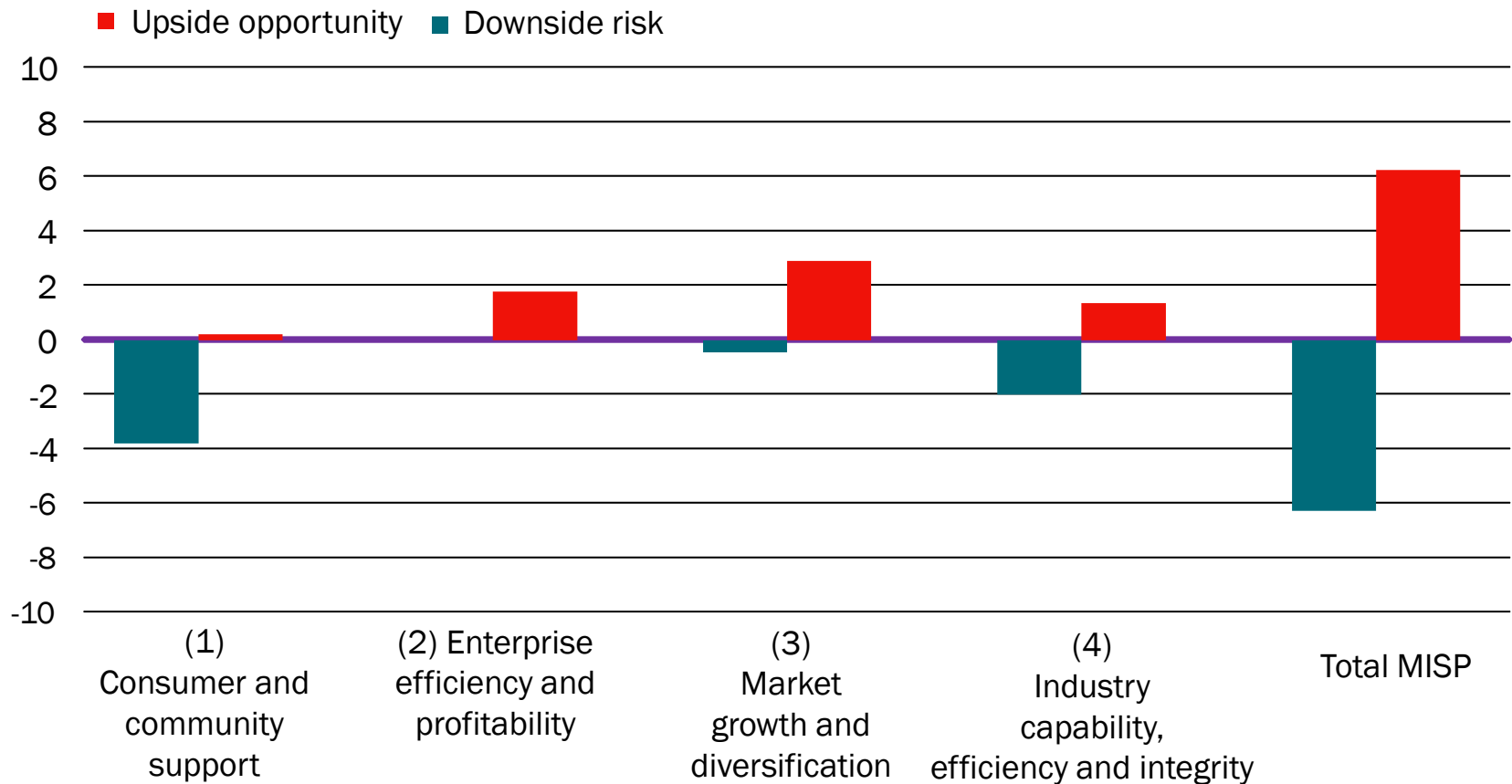
- Protecting our Industry – Mitigating Risk
 - ‘Do nothing’ (cessation of industry funding)
 - We stand to lose \$6 Billion dollars
- Realising the Opportunities
 - Potential to add \$7 billion in extra value

The 4 Pillars of MISP 2020

- Consumer and community support for the industry's products and practices
- Market growth and diversification for Australian red meat and livestock
- Supply chain efficiency and integrity
- Productivity and profitability
 - Underpinned by Leadership & Culture

ECONOMIC BENEFITS

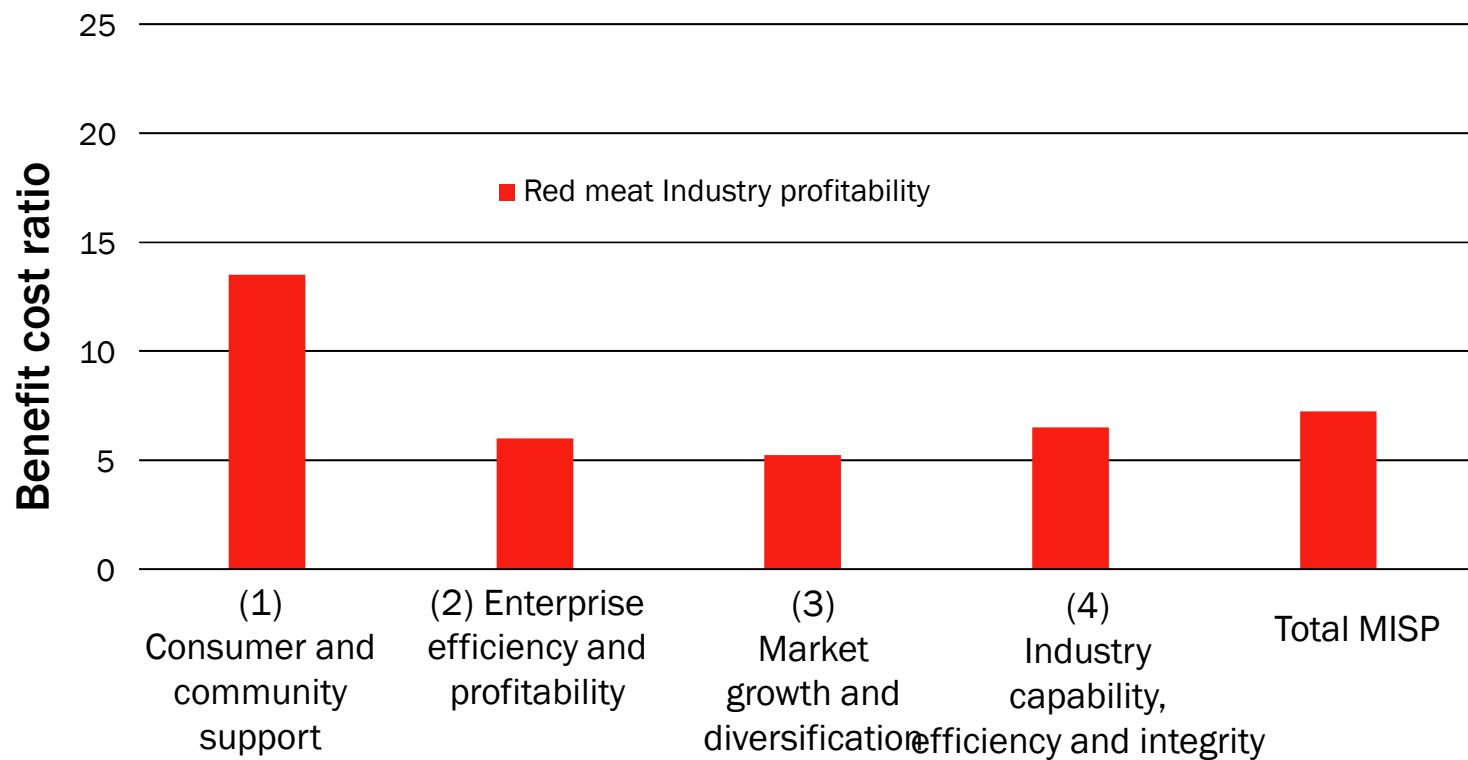
CHANGE IN PROFITABILITY RELATIVE TO THE BASELINE



ECONOMIC BENEFITS

BY PILLAR AND TOTAL PLAN

Payoffs per dollar invested across MISP pillars



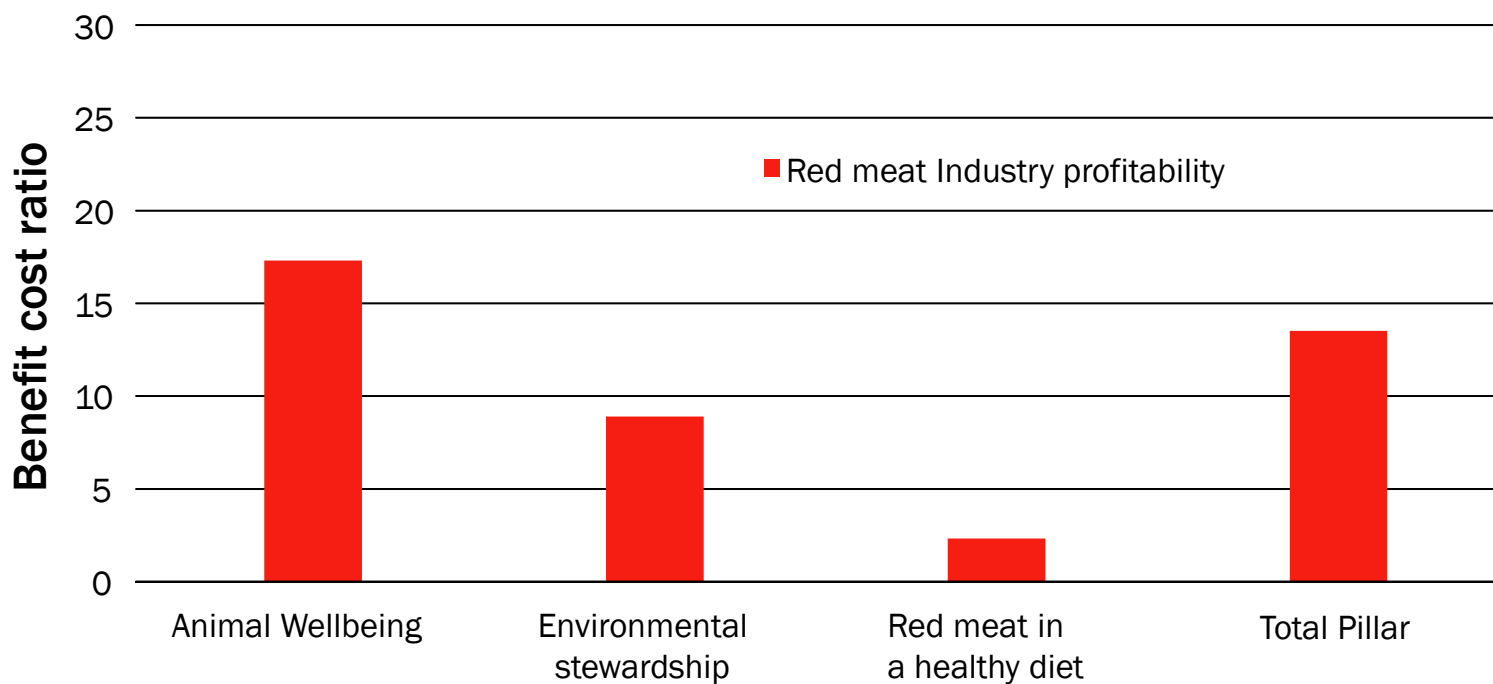
Consumer & Community Support

- Animal Welfare
 - continuous improvement
 - minimising risk of disease
- Environmental Stewardship
 - Minimising impact on environment
 - Sustainability & Climate change
- Red Meat in a Healthy Diet
- BCR - 5.6 to 2020, and 13.4 to 2030

ECONOMIC BENEFITS

CONSUMER & COMMUNITY SUPPORT

Payoffs per dollar invested across MISP pillars



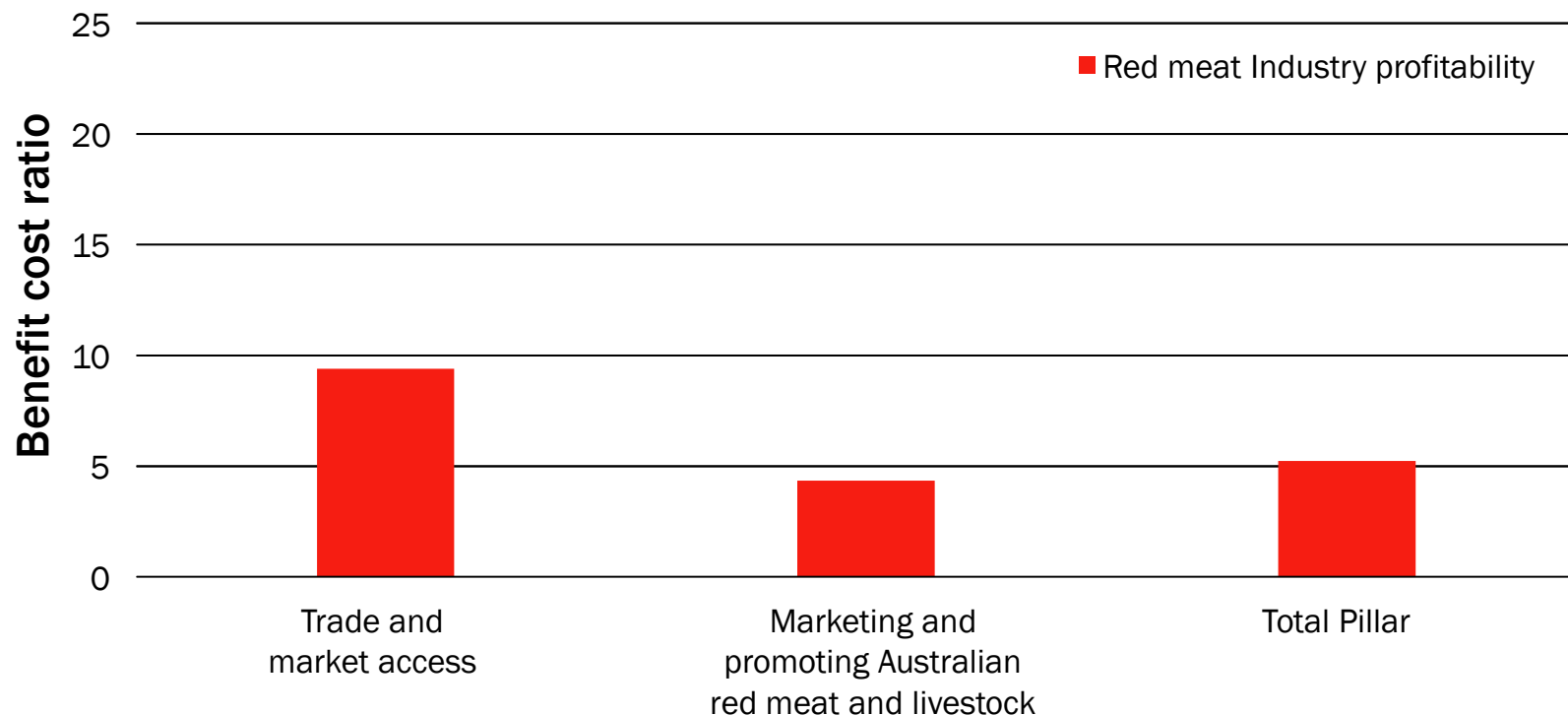
Market Growth & Diversification

- Market Access
 - Reducing economic & technical barriers to trade
- Promoting our Products
 - Marketing & promotion developed, developing, export & domestic
- BCR – 4.1 to 2020, and 5.4 to 2030

ECONOMIC BENEFITS

MARKET GROWTH & DIVERSIFICATION

Payoffs per dollar invested across MISP pillars



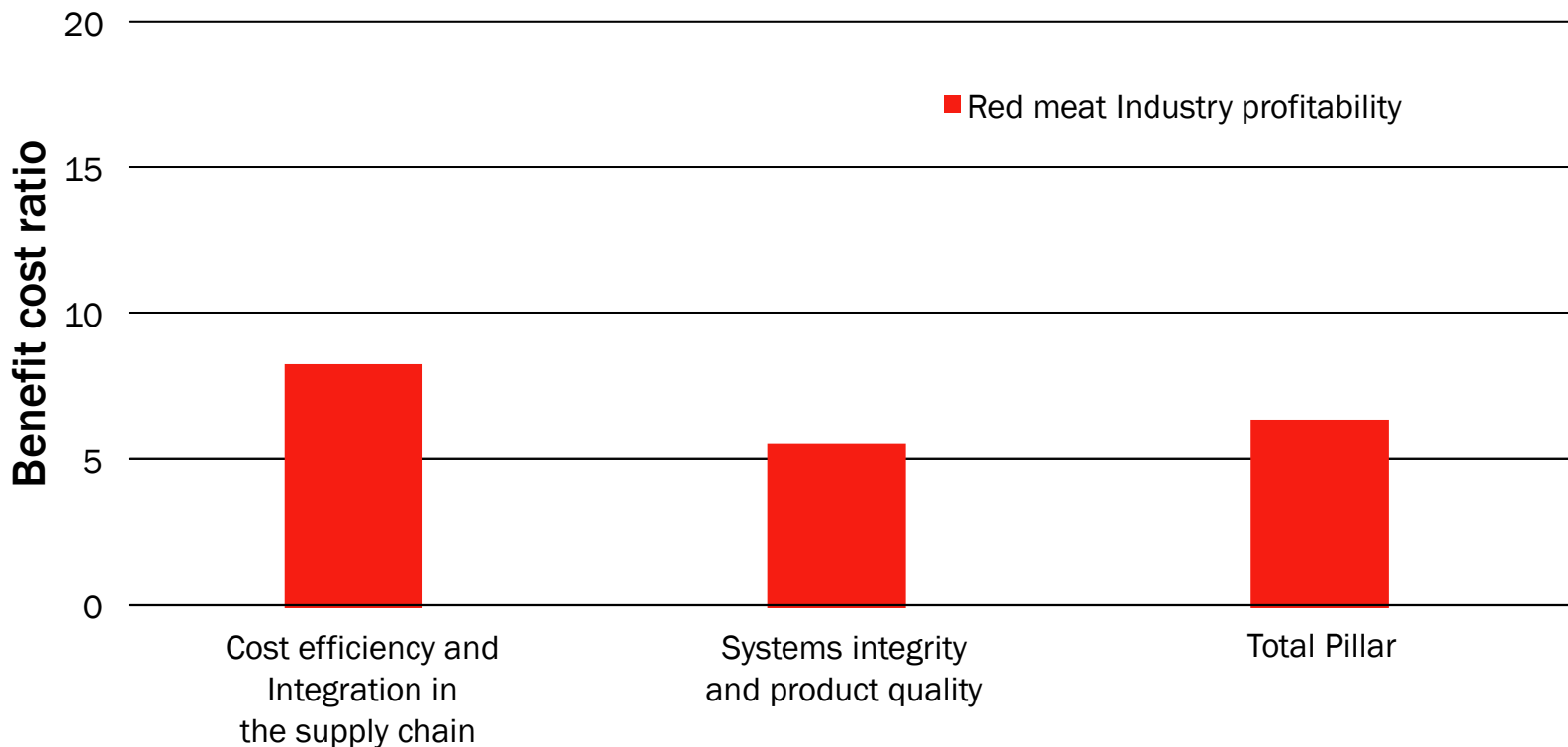
Supply Chain Efficiency & Integrity

- Optimising product quality & cost efficiency
 - Improve quality & compliance through great supply chain information
 - Improve efficiencies in regulation, infrastructure and logistics
- Guaranteeing product & systems integrity
 - Greater integrity in our integrity systems
- BCR – 2.0 to 2020, and 6.4 to 2030

ECONOMIC BENEFITS

INDUSTRY INTEGRITY, CAPABILITY & EFFICIENCY

Payoffs per dollar invested across MISP pillars:



Productivity & Profitability

- Production efficiency in farms and feedlots
 - Improve business skills
 - Increase livestock productivity
- Processing productivity
 - Carcase utilisation & labour efficiency
- Live Export productivity
 - Improve livestock performance through facilities
- BCR – 2.8 to 2020, and 6.9 to 2030

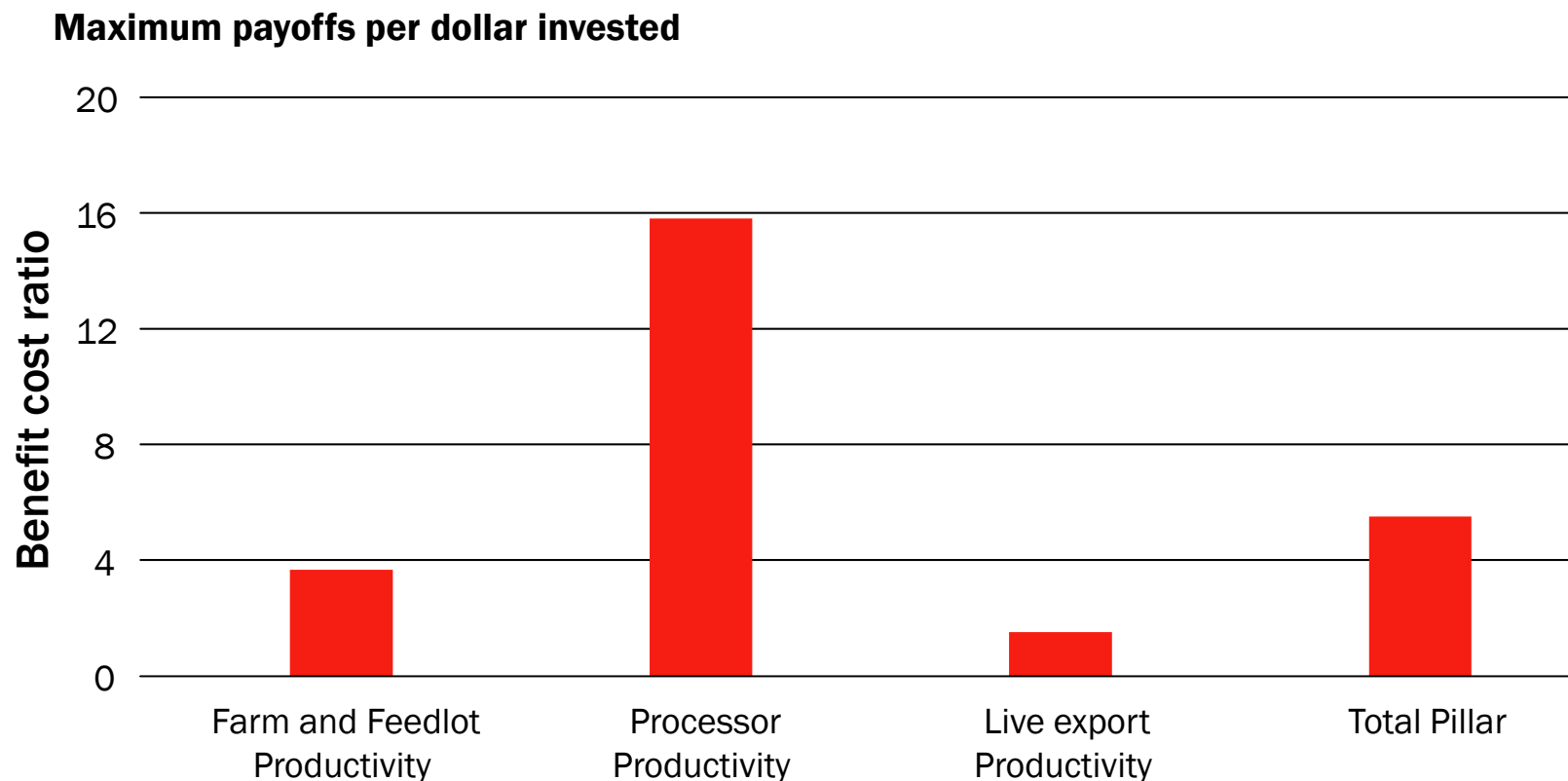
KEY MESSAGES

- **Productivity levels** are the industry's biggest challenge in terms of global competitiveness

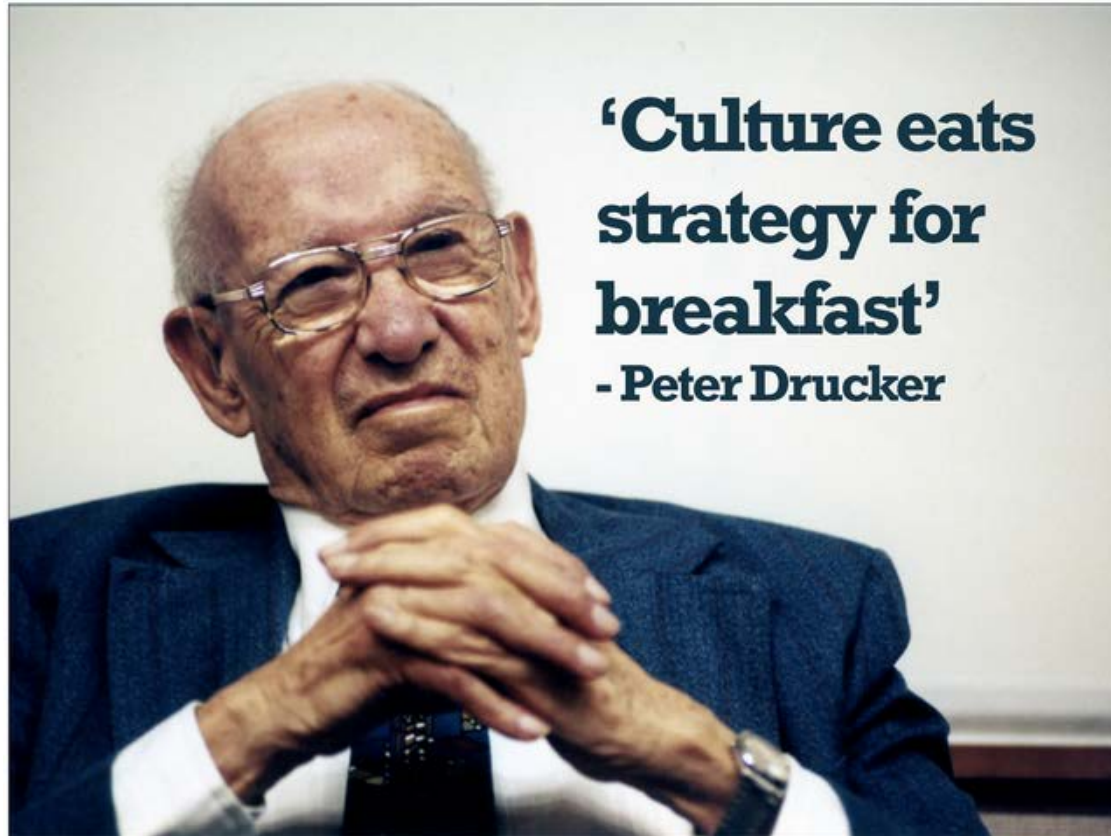
REGION	GRASS FED	GRAIN	LAMB	MUTTON AND GOAT MEAT	PIG MEAT	POULTRY
	%	%	%	%	%	%
Australia	0.50	0.25	0.25	0.00	0.50	1.00
New Zealand	0.50	0.00	-1.00	-1.00	0.50	1.00
United States	0.75	1.00	-2.00	-2.00	0.75	1.00
Canada	0.75	1.00	0.50	0.00	0.75	1.00
China	0.20	0.00	0.33	0.00	1.00	1.00
EU	0.50	0.00	0.00	0.00	0.50	0.50
Uruguay	1.22	1.44	1.00	0.00	0.75	1.00
Paraguay	1.22	1.44	1.00	0.00	0.75	1.00
Brazil	3.00	1.44	1.00	0.00	0.75	1.00
India	2.03	0.00	1.00	0.00	1.00	1.00

ECONOMIC BENEFITS

ENTERPRISE EFFICIENCY & PROFITABILITY



BUT LET'S NOT FORGOT THE OVER-RIDING FACTOR...



Leadership & Collaborative Culture

- Building industry capability
 - Develop skills and leaders to support the industry
 - Resourcing for key industry programs and structures
- Promoting & protecting our industry
 - Monitoring & communicating industry performance
 - Crisis preparedness

BRINGING IT ALL TOGETHER



THE PRESSURE IS ON...

- Pressure to **perform**
 - And to **demonstrate performance**
- Community **expectations**
 - Product integrity
 - Resource stewardship
 - Social contribution
- **Scrutiny** on processes for, and return from, socialised investments
 - From government / the public
 - From within industry

UNPRECEDENTED **OFF-FARM**
INTEREST IN WHAT WE DO
ON-FARM

(AND IN THE SUPPLY CHAIN AS A WHOLE)

KEY MESSAGES AND ISSUES



KEY MESSAGES

MAJOR DOWNSIDE RISKS

- Animal welfare
- (Increasing) climate variability
- Emissions profile of ruminant industries
- Incursion of exotic disease
- Red meat consumption and nutrition
- Low / flat-lining productivity in production sectors
- Ensuring rigour in supply chain integrity systems



KEY MESSAGES

MAJOR UPSIDE OPPORTUNITIES

- Supply chain integration and transparency
 - Flow and utilisation of information
 - Automation and connectivity
- Trade and market access
 - Efficiency in industry negotiations
 - Technical and economic barriers
- On-farm business performance (profitability)
 - Developing skills to manage the farming system



KEY MESSAGES

MAJOR (INDUSTRY-WIDE) ISSUES

- Strategic investment in capability and capacity needs
- New approaches to extension
- Focus on industry integrity systems
- Advantages / disadvantages of 'generic' vs 'brand-based' marketing
- Formalising and harmonising cost-sharing models
- Ensuring longevity in funding sources



SO WHAT DOES THIS ALL MEAN?



WE ARE NOW WELL POSITIONED TO ADDRESS THE CHALLENGES

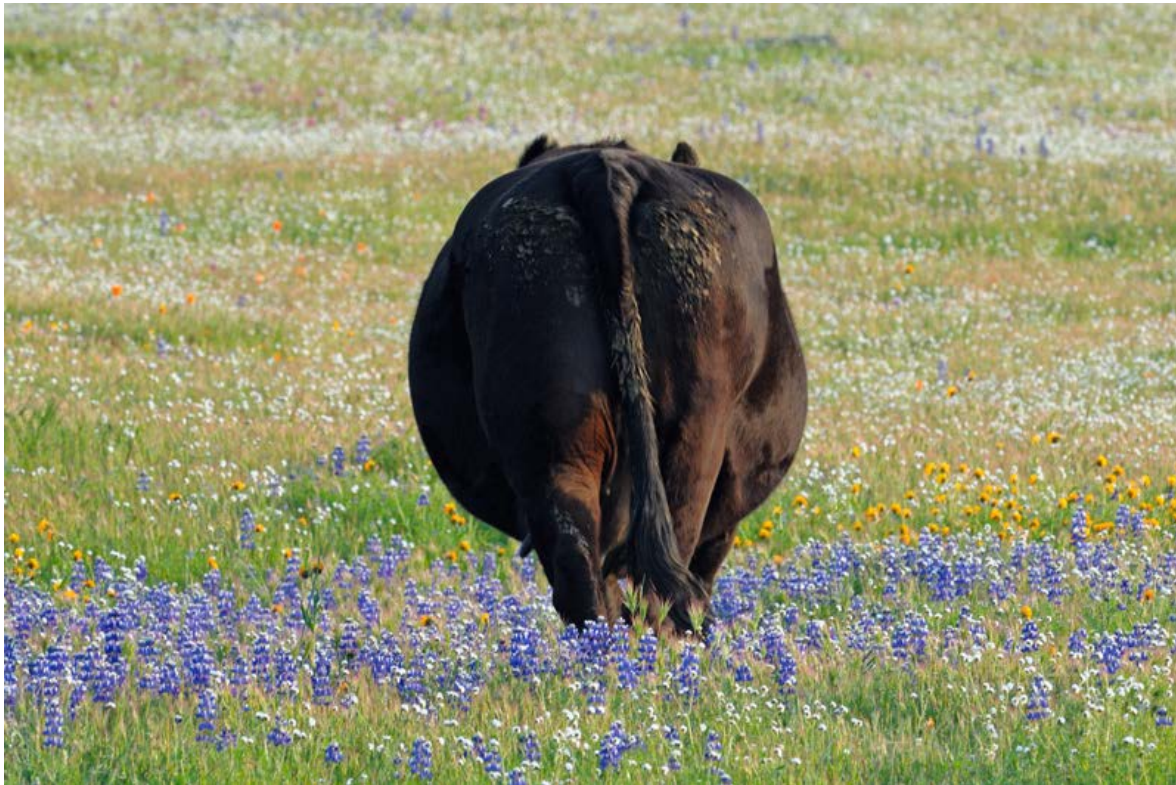
- A **performance-based** industry plan
 - Built on solid foundation of industry-wide consultation
 - Information and analyses underpinned by rigorous processes, expert input and third-party economic modelling
- We have identified both the **maximum potential** and **limitations** of various investments
 - What's achievable, at what cost
 - Optimal expenditure levels, BCRs and (sector) share of industry profitability

IMPLEMENTATION OF MISP 2020

WILL BE THE KEY

- Requires **clear allocation of roles, responsibilities and expenditure**
 - KPIs and measures to direct progress
 - On-going commitment to monitoring & reporting
- **Discipline and focus** required from Service Companies (plural) and Peak Industry Councils
 - Mimicking MISP's strategic framework
 - Commitment to performance reporting (against KPIs and to industry)

END





QUESTIONS?

