

**Productivity Commission Inquiry into the Australian Government  
Research and Development Corporations Model**

by

**Australian Beef Association Inc**

December 30, 2010

Australian Beef Association makes the following points in response to statements made by Cattle Council of Australia and Meat and Livestock Australia to the Productivity Commission, in Mildura on November 30, 2010.

26 Desmond Lane  
P O Box 446  
Oakey Qld 4401  
T: 07 4691 2618  
F: 07 4691 3814  
E: [austbeef@netspace.net.au](mailto:austbeef@netspace.net.au)  
W: [www.austbeef.com.au](http://www.austbeef.com.au)

## Introduction and Summary

Australian Beef Association makes the following points in response to statements made by Cattle Council of Australia and Meat and Livestock Australia to the Productivity Commission, in Mildura on November 30, 2010.

The points we address below are:

- 1) Leonard Vallance from CCA on popular support for MLA
- 2) Excuses for failure to disclose R & D projects/contracts/expenditure
  - a) Projects vs contracts
  - b) Formatting issues
  - c) Some people don't understand the facts
  - d) 98 percent disclosure
- 3) Misuse of BREEDPLAN for calculating R & D returns

### 1) Popular support for Meat and Livestock Australia's R&D is a myth.

I refer to comments made by Mr Leonard Vallance from Cattle Council of Australia. Mildura transcript page 790-791.

MR VALLANCE (CCA): To answer with confidence in the company, providing it was only 10 days ago that a vote was held at the company and 85 per cent of the shareholders voted to retain the company, I think any politician in this country would love to have that sort of response.

MR WEICKHARDT: Certainly.

MR VALLANCE (CCA): Of the remaining 15 per cent, it doesn't matter what sort of job you are doing, there will be, it is estimated, 8 or 10 per cent of the population that will hate you anyway.

Mr Vallance stated that Meat and Livestock Australia had received support from 85% of the shareholders against a motion to wind-up MLA.

The inference was that MLA enjoys popular support from an informed and involved membership.

Mr Vallance's statement and inference are wrong.

In an email to Australian Beef Association dated November 23, 2010 Mr Laurence Robinson, MLA Manager Corporate Services provided the following information regarding the voting at the MLA AGM held in Launceston on November 17, 2010.

Item 3 – Special resolution to wind up MLA: 1,734,673 votes were cast in favour (15.3%); 9,601,619 votes were cast against (84.7%)

Mr Vallance has confused "shareholders", that is entities (individuals or corporations) that control votes with the "votes" themselves.

Almost 85% of the votes cast were against the motion to wind up MLA. But MLA only needs the support of 2% of members to win a majority on the floor of an AGM.

MLA votes are not based on "one entity, one vote"

Votes are allocated on the basis of levies paid as declared by the entity that applies for votes. Major processors, lot feeders and pastoral companies dominate the voting register.

Less than 50 entities control more than 8.5 million votes and dominate the votes cast at AGMs.

At least 10 of these larger organisations receive R & D funds from MLA. Specifically:

- Swift Australia: Biggest single voting entitlement. The CEO and a Director of Swift Australia, Iain Mars is also on the MLA Board.
- Rockdale Beef: Fifth biggest voting entitlement. Paul Troja, ex director of MLA, is an employee and director of Rockdale Beef

The MLA voting system is “gerrymandered”.

- Australia has about 200,000 beef and sheep levy payers.
- 47,270 are recorded on the MLA member data base\*
- 10,224 MLA members secured their voting entitlement
- 5,188 members (individual/corporate entities) voted at the 2010 AGM (about 2.5% of levy payers)
- Less than 10 million votes were cast at the AGM of a possible 70 million.

\*Producers must register with MLA even though levies are collected automatically.

MLA will not disclose how many individuals/corporations voted for or against the motion to dissolve MLA.

Australian Beef Association estimates that well over 60% of producers voted in support of the motion to dissolve MLA.

MLA will not provide a usable schedule of members and their voting entitlements. ABA requested a copy of the 2009-10 MLA list of members and voting entitlements. The MLA member file was provided to ABA as a locked, 557 page pdf digital file. This file could not be printed or reformatted for analysis.

A visual scan of the 557 pages showed the 41 biggest individuals and corporation control the voting.

The Top 41 includes: JBS Swift, AA Co, Australian Country Choice, Georgina Pastoral, Elders, Nippon, Teys, Acton, Rockdale Beef, Napco, Consolidated, MDH, Nolan Meats, Biggenden, Heytesbury, Currie King Id., Laglan, Stanbroke, Rangers Valley, Clyde Ag., Brinkworth, Pegele Orleve, R. Hughes, Wallco, Werribee, Gundamain, Garrison, Monk, Verdello, Paterson, Ogilvie, Brigadoon, T&R Pastoral, Westbrook, Brania, Kiora Feedlot, Tasmania Feedlot, Baines River, Kerwee Feedlot, Romani, Livering Livestock. (Processors are underlined)

A visual analysis of the voting 2010 voting register described above shows:

- The Top 20 control 30% of all votes
- The Top 50 control 40% of all votes
- The Top 100 control 50% of all votes

The real situation with respect to producers’ support and respect for the work done by MLA is better reflected in Mr Palmer’s statement on page 824 where he says:

“But we had over 100 meetings around Australia to sell the need to retain the \$5 levy and they weren't all great fun.”

## **2) Excuses for failure to disclose R & D projects/contracts/expenditure**

### **a) Contracts vs Projects**

Page 818 Mr Palmer states:

Transparency of search results was another comment made a moment ago. The people who were behind those comments, it's a pity they couldn't have perhaps talked to us first, but this has not been their strong suit. They have unfortunately confused projects for contracts. Our system counts contracts and they refer to them as projects. We have some projects that might have hundreds of contracts - for instance, beef and pastures work - it's got something like 200. I think the sheep genetics work has got 185 contracts involved in one project, so there's a bit of a confusion in terminology.

ABA has already addressed this issue. MLA used the terms "project" and "contract" interchangeably in their Annual Reports prior to 2009-10.

There is no "confusion" over projects/contracts. ABA is simply asking for transparent and meaningful disclosure.

### **b) Formatting issues**

Page 819

MR WEICKHARDT: Surely most of these reports would be provided by your research providers, wouldn't they?

MR PALMER (MLA): In the main, yes, correct. That's correct. But they have got to be formatted; we had some internal issues. We changed systems and various bits of pieces, so there's some formatting issues and getting them in the appropriate phase and stage to go up on to our web site and that's taken a considerable amount of resources.

This is a feeble excuse for not listing \$700 million in R & D contracts/projects and their respective reports. MLA was aware of this problem more than five years ago.

(MLA announced the resignation of Mr Palmer as Managing Director on December 16, 2010.)

### **c) Some people don't understand the facts**

Page 820

MS PITT (MLA): Yes, we're very supportive of scientists being able to publish for the benefit of the community. We have a very strong ethos in MLA about building the scientific capability particularly of Australian scientists, and we know that peer-reviewed publication is something that gives them that kind of international status and credibility and enables them to, if you like, get a seat at a table internationally where we're going to benefit from that as well. So it's certainly part of what we do. In terms of the reports, I'm sure David, as the managing director, has given you a good enough answer there.

I guess what we're really trying to say is that often those final reports of individual contracts are building together to ultimately culminate in an outcome, which is what we call a "project", and every project that MLA undertakes is either a failure - and we, hopefully, communicate that, so that other people don't go down the same dry gully; or it's a success and we turn it into a tool or a technology or a body of knowledge, a guideline, a handbook, a workshop, there's so many different ways which that knowledge is distributed to the industry. All of those things are on our web site, but,

unfortunately, some people don't have that experience that we have in understanding that, and they didn't come and ask us, so they weren't aware that in fact all of our projects eventually get onto our web site in that way.

“All of those things are on our web site . . .” is simply not true. There are no comprehensive lists of contracts, projects or reports on the MLA or associated websites.

Who are the: “some people (who) don't have that experience,”? And what experience does MLA have that some people don't have?

These statements are not true and make no sense. They are not reasons, or even excuses, for not listing and publishing schedules of contracts, projects and R & D reports.

#### **d) 98 percent disclosure**

Page 820

MS PITT (MLA): . . . . I would say that less than 2 per cent of our donor company projects have exclusivity arrangements. 98 per cent of them are made available during the research phase, and certainly on conclusion of the research.

Ms Pitt states 98% of “projects are “made available”. This is not true. There is no list of donor company contracts/projects. There is no list of donor company reports. Without a list of “projects” it is impossible to calculate 98%.

### **3) Credit for BREEDPLAN and its misuse as a basis for calculating return on investment**

Page 824. Mr Palmer states BREEDPLAN is now delivering \$18million in benefits per year.

(BREEDPLAN is also highlighted as a “star” achievement in MLA’s June 25, 2010 submission to the Productivity Commission. Page 14)

Genetic evaluation systems based on objective measurement are a powerful and potentially productive technology. These systems were developed and commercialised mainly in the US.

BREEDPLAN is the name given to the Australian adaption of the US system.

Most of the innovation, development and promotion and adoption in Australia was and is driven by US researchers and marketers.

MLA may have spent a lot of money on BREEDPLAN, but MLA can only claim a small proportion of the credit for the alleged benefits/returns that it is claiming for industry.

Using BREEDPLAN as the example to demonstrate returns on MLA R & D investment is totally misleading. MLA should be calculating returns on R & D investment on its own initiatives and where the efforts of others can be isolated and quantified.

MLA is misrepresenting other peoples’ R & D initiatives as primarily its own.

This is R & D plagiarism.

END